Statement of Accounts

2010-11

Northamptonshire County Council

Foreword by the Leader of Northamptonshire County Council

The 2010-11 financial year was one of the toughest Northamptonshire County Council's had to deal with so far; and the year ahead promises to be just as tough for the Council.

With an ever increasing and ageing population; with housing growth and businesses and industry relocating and settling in Northamptonshire, our county has many challenges and opportunities respectively.

As the key strategic body of the county, we seek to provide all the necessary support and resources to catalyse innovation and success while maintaining a low tax economy and, importantly, while receiving less direct financial support from central government year on year.

Northamptonshire sits at the very heart of the UK. As the crossroads of England, Northamptonshire's tremendous vantage point allows us to not just see trends but shape them. The County Council is a big influential business with a positive voice for our communities. The new Northamptonshire Enterprise Partnership (NEP) is just one example of how the County Council, with top business and industry leaders, will be able to build the necessary financial and economic climate to create jobs and prosperity for Northamptonshire residents.

In addition to this, our Local Government Shared Services is another example of innovation and, as the enterprise grows and delivers greater efficiency and value for money for more businesses and organisations, our council's reputation will rise. Our partnership with the University of Northampton is crucial in our work on the local economy too. In the development of 'Big Society' both of us have reaffirmed our commitment to the importance of developing local markets and building social capital; we want to see a more robust civil society ready for the challenge of sharing public service delivery more and more in the years ahead. Through our 'Leadership Academy' we will have the means to do this. Just a few examples out of a multiplicity of cutting edge, dynamic and thoughtful approaches to making a demonstrable and lasting difference on behalf of the people we serve.

The 2010-11 Statement of Accounts which follows will not be able to fully describe the effort and activity that has gone into delivering the budget. However a great deal of professionalism and dedication surrounds the development and delivery of a budget that would not be out of place in the FTSE 500. Our organisation begins the new financial year with a new target operating model and together with a budget that seeks to save record levels of money I, as Leader, will have even greater need of that professionalism and dedication already well demonstrated by our staff.

This Statement of Accounts is all about what has been; and while the journey has been difficult, our eyes now are set fully on the future and the hopes we have for it.

Jim Harker

Councillor Jim Harker
Leader of Northamptonshire County Council

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Explanatory Foreword

The purpose of this foreword is to provide the reader with:

- An explanation of the accounting statements which follow.
- A review of the Council's performance in 2010-11.
- An indication of the Council's financial position as at 31st March 2011.

Explanatory Foreword

INTRODUCTION
1. Format

This document presents the statutory financial statements for Northamptonshire County Council (NCC) for the period 1 April 2010 to 31 March 2011 and gives a comprehensive summary of the overall financial position of the County Council.

The accounts are presented in the format recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA), as set out in the Code of Practice on Local Council Accounting in the United Kingdom (the Code). These accounts have been prepared under International Financial Reporting Standards (IFRS) for the first time this year, with restated comparative figures for 2009-10.

Under the CIPFA Best Value Accounting Code of Practice (BVACOP), local authorities have to present their accounts in a standardised format to make sure that all authorities are consistent, and to make their accounts easier to compare. Our Core Financial Statements use this format and meet the conditions of the Code.

The explanatory foreword will provide a review of policy, performance and finance and also a commentary on the Core Statements of the Statement of Accounts 2010-11.

POLICY REVIEW
2. Relevant Priority Outcomes

During the period under review, NCC has operated under a set of principles which define what the Council is here for – our core purpose:

- We are here to help you help yourself
- We are here to help you when you can't help yourself
- We want you to see us as a trusted advocate

The Council's overall strategy consists of a number of perspectives focussed on delivering specific outcomes in line with this core purpose, and ultimately to achieve NCC's overall vision of being:

> "Proud to make Northamptonshire a great place to live and work"

For more information please see the Council and Service Plans on our website at: www.northamptonshire.gov.uk

PERFORMANCE REVIEW
3. Performance

The Northamptonshire County Council strategy map tells the Northamptonshire County Council story. It shows how we will go about achieving our vision:

The strategy map answers the following questions across four perspectives:

Customers – to achieve our vision, what will our customers see?
Process – to satisfy our customers, what processes must we excel at?
Learning and Growth – to achieve our vision what must we learn, develop and improve?
Finance – to finance our vision, what must we do efficiently, effectively and economically?

In 2010-11 we have maintained the momentum of our improvement journey. 77.5% of our key corporate indicators are on or exceeding target at the year end. This strong performance has resulted in real, tangible outcomes for our customers and communities.

We identified 3 key Customer Outcomes for 2010 – 2011.

We said we wanted “A cleaner, greener and more prosperous county”. Our achievements include:

- Introduction of a new Road Maintenance Policy resulting in an 18% reduction in defects on roads and temporary repairs to roads reduced from 80% to less than 10%
- Agreement of a Climate Change Strategy for Northamptonshire to tackle the causes and effects of climate change. NCC has seen a 2.7% reduction in tonnes of CO_2 emissions from NCC sites.
- Development and delivery of the Northamptonshire ARC as a basis for delivering growth in Northamptonshire in a new and ambitious way. It forms the basis of a new conversation with Central Government.
  Northamptonshire ARC is a supporting document that tie together all of the projects across the county, projects such as transport, the economy and climate change.

We said we wanted “Young People to feel engaged”. Our achievements include:

- A significant improvement in KS4 results for the third year running. 51.7% of pupils gained 5 or more GCSE grades A star (A*)-C including English and Maths, a rise of 2.8%. Our results show a continuing year on year improvement since 2007 and establish a three year rising trend. During this time, performance has risen by almost 9%. 2010 was the first year that more than half of pupils in the county gained 5 or more GCSE grades A*-C including English and Maths.
- A significant improvement in young children between Birth and Reception achieving a good level of development, with an increase of 4% in 2010 to 58.1% of children reaching this threshold. This exceeds our challenging target of 57% by 1.1%, and is 2% higher than the 2010 national average.
- An increase in Common Assessment Framework usage across Children and Young People’s social care to over 80%, increasing the early identification of need for children and families to reduce pressure on specialist services and improve outcomes for Children.

We said we wanted customers to “Feel treated with dignity in care”. Our achievements include:

- In the last Annual Commissioner Assessment of the County Council by the Care Quality Commission (CQC) under the current regime, the Council was assessed to be performing well overall. The CQC judged that the Council was performing well in five of the seven outcomes and adequately in the other two.
- A 24% improvement in the average length of time taken to complete a safeguarding investigation.
- A 142% increase in the number of Social Care Clients receiving Self Directed support.

These positive outcomes have been underpinned by a much stronger culture of performance management, self awareness and transparency across the Council. To ensure that the Council delivers against its stated priorities, it has developed a robust performance management framework to monitor progress, celebrate successes and challenge poor performance. This framework is covered in detail within the Council’s Plan 2010-2014. The Council has also introduced the Performance Management Statement of Required Practice which sets out the way in which the Council will manage its performance at Directorate, Division and Service Level. This approach has been developed to monitor whether the Council is achieving what is set out in its Service Plans at all levels of the organisation.

Our focus on performance improvement and delivery has already manifested itself in improved outcomes for our customers and communities. However, we are not complacent.

We recognise that in some areas our performance is not at the levels we want it to be. We remain focused on ensuring we set sufficiently stretching targets and that we deliver.

Assessments by Independent Regulators

The arrangements for the independent assessment of councils have changed radically since the election of the new Coalition Government. The previous system of Comprehensive Area Assessment (CAA) has been abolished and the future of Audit Commission is under review.

There is now a greater focus on inspections and assessments of specific service areas, particularly those involving care for vulnerable children, although even for these, some aspects of the previous arrangements have now been removed. A greater onus is likely to be put on councils themselves collectively taking responsibility for being directly accountable to their local communities rather than to central government and the regulators they appoint.

Services for Safeguarding Children

Ofsted's inspection of safeguarding children services in Northamptonshire has judged the County to be adequate and demonstrating adequate capacity for improvement.

Ofsted inspectors carried out their inspection of Northamptonshire's safeguarding services and services for looked-after children during March 2011.

The inspection examined the collective contribution of all local councils, health, police and the voluntary sector in securing positive outcomes for children and young people.

Ofsted found no areas requiring intervention and highlighted the County's commitment to keeping front line services intact, despite the financial pressures currently affecting the public sector.

The Ofsted report highlights several strengths:

- It found that County Council senior managers and partners are committed to securing the safety and wellbeing of children and young people in the county.
- It referred to some very good social work and other professional practice in Northamptonshire, with dedicated and skilled staff at all levels working across services to provide a well-focused care and support for looked after children.
- It judged both the county's Children and Young People's Shadow Board and the County Council's children's rights team to be outstanding.
- It commented on the strength of the Children and Young People's Strategic Partnership.
- It acknowledged the positive response from children, young people and families who receive services.
- It referred to evidence of attention to equality and diversity in the assessments and case records seen by inspectors.

The report also identified a number of areas which were inadequate and where improvement can be made, including the need to address:

- The impact of services to support and improve the economic wellbeing of looked after children, young people and care leavers.
- Outcomes for young people leaving care.

The Council's own self-assessments had already identified the shortcomings in these areas and at the time of the inspection, steps were already being taken to address them.

Social Care Services

The Care Quality Commission (CQC), the health and social care regulator for England, no longer conducts an Annual Performance Assessment of councils' commissioning of adult social care, nor conducts routine inspection of councils' adult services. Its last assessment (for 2009-10) was that the Council was **delivering outcomes well.**

In the final phase of the CQC council inspection programme, an inspection team visited Northamptonshire in September 2010 to find out how well the Council was safeguarding adults whose circumstances made them vulnerable and increasing choice and control for older people.

CQC concluded that Northamptonshire was:

- **performing adequately** in safeguarding adults whose circumstances made them vulnerable
- **performing adequately** in supporting increased choice and control for older people

It judges the performance of councils using four grades: 'performing poorly', 'performing adequately', 'performing well' and 'performing excellently'.

CQC also concluded that Northamptonshire's capacity to improve was **promising**.

It rates a council's capacity to improve its performance using four grades: 'poor', 'uncertain', 'promising' and 'excellent'.

The CQC report highlighted several areas where the Council was doing well to support outcomes including:

- It provided a wide range of good quality training, free to the private, voluntary and independent sector
- It enabled a high proportion of service users to control their support and had helped some to arrange innovative packages of help.
- It inspired staff confidence in its leadership and management support and was committed at a corporate level to supporting and changing adult social care.

The report also identified some areas for improvement including:

- Ensure that service users and members of voluntary organisations feel fully involved in consultations and develop ways practitioners' experience can influence commissioning of services.
- Ensure greater publicity for community safety initiatives such as home fire safety checks and the 'buy with confidence' scheme.
- Give greater publicity to the availability of information about its social care services, and the telephone number of the Adult Care Team customer contact point.

The CQC also said that the Council inspired staff confidence in its leadership and management support and was committed at a corporate level to supporting and changing adult social care.

FINANCIAL REVIEW

4. Revenue Budget and Outturn

The net revenue budget agreed by the County Council for 2010-11 was £438.6 million. After allowing for government funding, this resulted in a council tax charge of £1028.11 (an increase of 3.5%) for a Band D property. Total Council Tax income for 2010-11 was forecast to be £239.1 million. The level of Council Tax levied by the County Council is currently the lowest amongst all County Councils in England when charges for Fire are included.
The delivery of this budget served to:

- Educate 98,548 children in 318 schools.
- Provide care for over 9,000 elderly people.

- Provide care for over 12,000 people (including young adults).
- Provide an individual care budget to 4,267 customers.
- Support 3,350 carers (including advice and information).
- Deliver services to 1,260 people with a physical disability.
- Deliver services to 1,700 people with a learning difficulty.
- Run 22 fire stations.
- Enable 3 million visits to 36 Libraries and 4 mobiles.
- Issue 3.2 million books and other media through libraries.
- Manage 5 Country Parks, 1 Linear Park, and 7 Nature Reserves; the 5 parks are visited approximately 1.25million times and the Brampton Valley Way 0.5million times a year.
- Maintain over 4,146 km of roads.
- Maintain 60,000 Streetlights.
- Deal with 348,000 tonnes of municipal waste of which 154,000 tonnes are reused recycled, composted and treated.
- Provide education transport to 14,000 pupils.
- Provide 6,507 people with adult education each year.
- Support the families of over 3,100 children in need.
- Provided care during the year for over 1500 looked after children.

Spending against the budget has been monitored regularly throughout the year, and reports from Chief Officers have been received at each of the Councils Cabinet meetings.

The final outturn position for the year against the revised budget is set out in the table below.

Table 1 Outturn Summary

Directorate	Gross Expenditure Budget £000	Income Budget £000	Net Budget £000	Outturn £000	Reported Variance £000
Children & Young People Services	680,065	(584,981)	95,084	99,557	4,473
Health & Adult Social Services	197,651	(48,704)	148,947	152,477	3,530
Chief Executive Services	37,580	(4,906)	32,674	32,733	59
Environment, Growth & Commissioning	111,561	(22,349)	89,212	84,739	(4,473)
Finance & Commercial	9,999	(3,669)	6,330	6,076	(254)
Policy and Partnerships	45,777	(17,424)	28,353	26,800	(1,553)
Strategy and Business Administration	2,654	0	2,654	2,433	(221)
Capital Financing and Other Services	55,563	(23,821)	31,742	28,118	(3,624)
Totals	**1,140,850**	**(705,854)**	**434,996**	**432,933**	**(2,063)**
Carry Forward Requests to be funded					**1,627**
Final Outturn					**(436)**

The main reasons for the variances from budget in 2010-11 were as follows:

- Children & Young People's Service – The Social Care Agency Placements budget overspent as a result of historical demographic pressures within the Looked After Children area. This has been addressed with significant new investment within the 2011-12 budget.

- Health & Adult Social Services – There has been a continuing increase in demand for community based care for all client groups. Factors that have had an effect on this overspend were a combination of older people living longer, significant increases in dementia clients, increased demand in the Physical Disability client service and increased pressure in transitions from children's services.

- There was an underspend on Waste due largely to the decision not to proceed with the PFI scheme and partly to a reduction in waste disposal and recycling tonnages primarily as a result of the economic downturn. Property Asset Management also underspent as a result of one-off rental and business rates rebates arising from a programme of review of rates and service charges. In addition there were overspends in Transport and Highways due to an increase in demand for Home to School Transport and high winter maintenance costs due to adverse weather conditions.

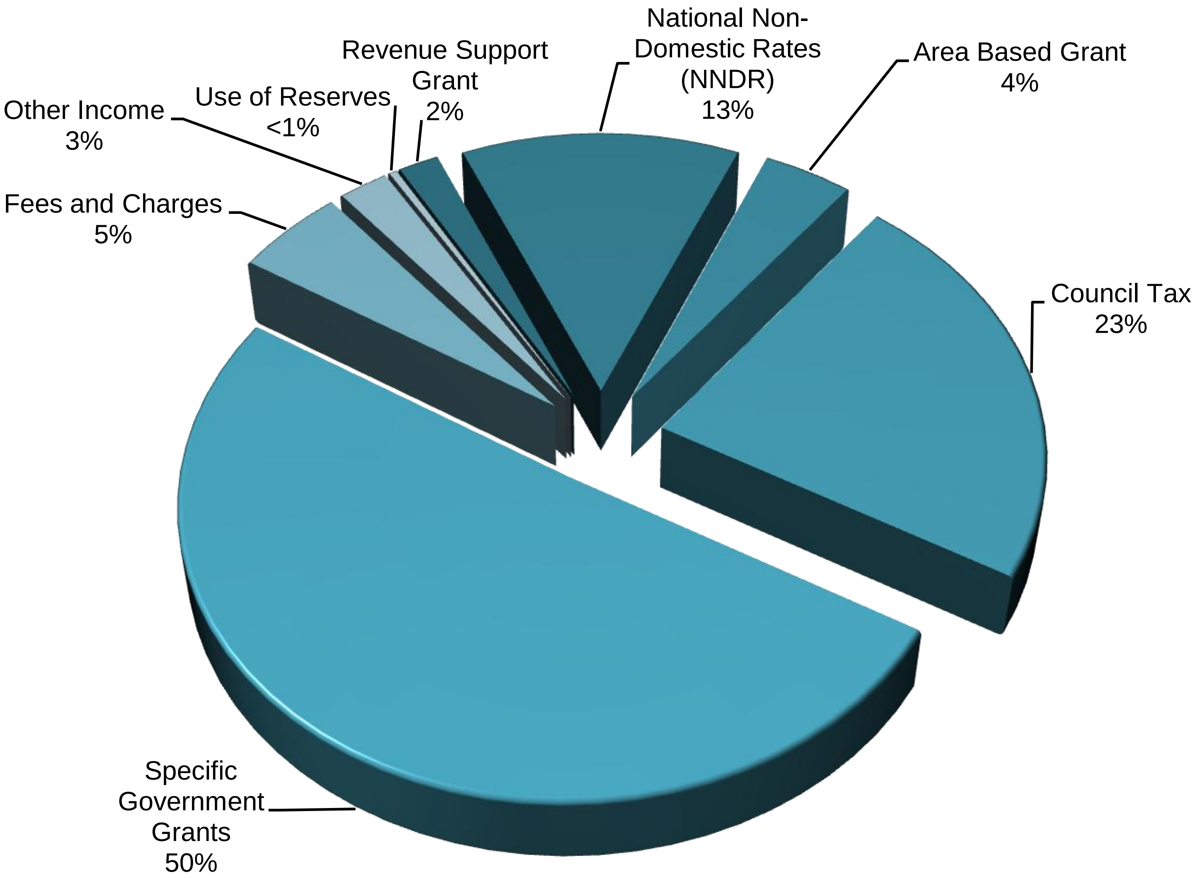
- Policy and Partnerships – There were significant efficiencies within IT contracts and a robust review of the capitalisation of other IT costs.

- Capital Financing and Other Services - The Treasury Management spend was £2m under budget as a result of better than forecasted returns on our investments and proactive decision making on the Council's borrowing portfolio. Reserves and non-ring fenced grants were used to support the budget. The impact of this was offset by a £7m charge to a redundancy provision for actions within the 2011-12 budget to deliver the Council's £63.9m savings.

Sources of revenue funding and services provided

The following charts show where the money received comes from, what we spend the money on and the services we provide, based on the 2010-11 budget figures.

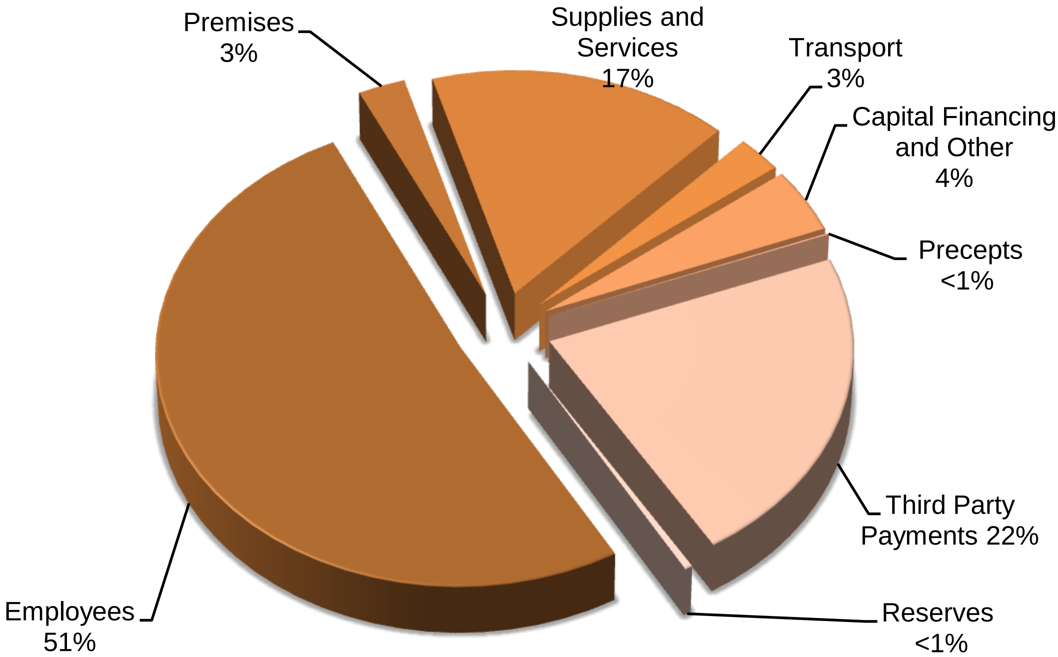
Chart 1 Where the money received comes from



The money received to finance the Council's spending comes from three main sources:

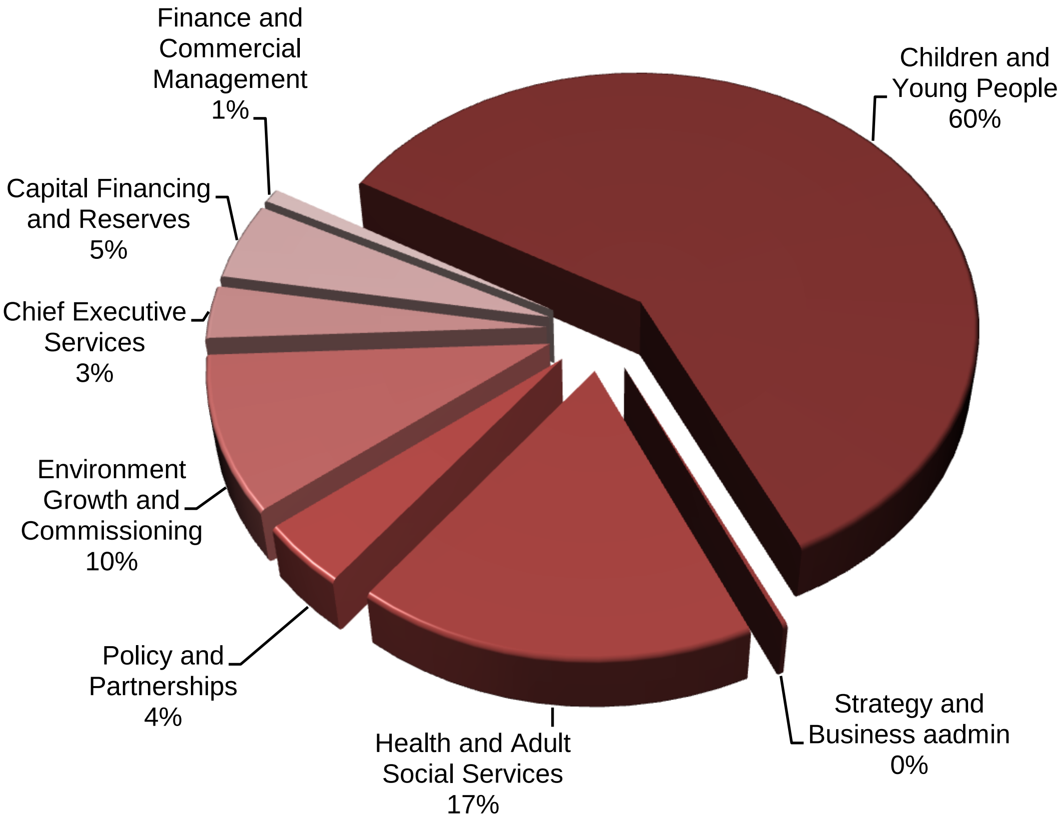
- The Government (69%); covering specific government grants, general government grants and business rates.
- The Council Tax payer (23%).
- Fees and charges for services provided and the Council's reserves (8%).

Chart 2 What we spend the money on



The money we receive is spent on paying the staff who work for the Council, the cost of providing services offered by the Council and servicing the borrowing required to finance the assets owned by the Council. These assets include school buildings and the transport infrastructure.

Chart 3 The services we provide



The chart above shows how the gross expenditure has been split over the different service areas.

5. Capital Spending

In 2010-11 we made capital payments of £140.5m.

Of the total payments, £35.4m 25% was financed from loans, £8.6m (6%) from capital receipts and £96.5m (69%) from grants.

We take into account capital spending and income for work done by 31 March 2011, even though the money was not paid or received until after 31 March 2011.

The capital programme continues to be an amalgam of specific named schemes, and blocks of themed expenditure (i.e. improvements to roads, minor works budgets) from which a large number of schemes are funded. All expenditure is focused on delivering the outcomes of the Council.

There have been 87 schemes that have been completed in the current year which have enhanced Northamptonshire and the facilities for the residents. Some of the larger schemes include:

Table 2 Major Capital Schemes

Scheme Name	Scheme Description	Amount £m
Kingswood Secondary School	The new Kingswood School in Corby replaced the two separate sites for the upper and lower school. The new school incorporates many new features including 'state of the art' ICT suites, enhanced arts facilities including; dance and studio space, an outdoor theatre and associated arts facilities, three multi-use games areas, an all-weather pitch, sports hall, modern classrooms and break-out areas well designed to provide a healthy environment for the students and wider community users of Kingswood.	25.5
North Northants Growth Fund	The North Northants Growth Fund is used to invest in areas of capital investment that will encourage, promote and mitigate economic development and growth in the county. These encompass a number of capital schemes relating to economic growth and includes areas such as town centre developments, public transport infrastructure and highways improvements.	16.1
Devolved Capital Grants for schools	The formula based allocation to schools was spent on new buildings/facilities including Information Communication Technology and Capital repairs in accordance with the priorities set in individual schools and in line with the asset management plan.	6.1
Corby Library	This scheme provided a new Library in the innovative 'Corby Cube' in partnership with Corby Borough Council.	5.0
Early Years Capital Grants	The Early Years and Child Care Capital Grants programme covered three main objectives as stipulated by the Department for Education - to improve the quality of the learning environment in early years settings to support delivery of the Early Years Foundation Stage, to ensure all children are able to access provision and to enable private, voluntary and independent providers to deliver the extension to the free offer for 3 and 4 year olds and to do so flexibly.	4.8

Children's Centres	These children's centres have been built to engage and support families with children aged 0 to 5 in Education, Health and training matters.	4.2
Highway Maintenance Capitalisation	Structural maintenance of the County's primary route network. Funds were used to reconstruct, resurface and patch.	4.1
LTP Maintenance - Non Principle Roads (Secondary)	Structural maintenance of the County's secondary route network. Funds were used to reconstruct, resurface and patch.	3.8
Caroline Chisholm	The scheme provided a permanent extension to the school to accommodate 2 FE (2 forms of entry) in the Wootton Fields area of Northampton.	3.0
Information Technology – Delivery of Corporate Applications	This project funded upgrades to our core applications that are required every year for functional and legislative reasons and funded developments at a divisional level to improve and streamline services.	2.8

During 2010-11 the Council introduced significant enhancements to the governance arrangements for progressing Capital schemes through their project lifecycle and the process for monitoring spending on Capital schemes. These changes have resulted in a project management approach to delivering Capital schemes and greater control over affordability.

6. Investments and Borrowing

The level of investments held by the Council was £192.5m as at 31 March 2011, (£7.0m relates to a capital loan made to Silverstone in 2010-11). These investments are backed bythe Council's reserves and working capital surpluses.

The level of borrowing undertaken by the Council is £700.8m as at 31 March 2011. Of this, £307.1m (43.8%) is borrowed from the Public Works Loan Board (PWLB), £169.4m (24.2%) relates to Private Finance Initiative (PFI)/ Public Private Partnership (PPP) contracts, with the remainder being market borrowing.

The borrowing is used to finance capital investment (e.g. schools, highways & transportation) for the Council. During the year the Council has proactively managed its borrowing portfolio to deliver interest savings and one off cash benefits which are being re-invested in front line services. Total interest and similar charges payable during the year amounted to £32.3m. Of this, £18.0m relates to borrowing from the PWLB with the remainder £14.3m for PFI/PPP contracts.

The Council's net borrowing (borrowing less investments) is £504.2m.

7. Reserves

There was a general reserve balance of £12.983m as at 31 March 2011. A full review of all reserves and provisions was carried out and reported to Cabinet on 14th June 2011.

Table 3 Reserves Summary

	March 2010 £000	Movement £000	March 2011 £000
Schools	58,401	(3,490)	54,911
Insurance	4,999	(44)	4,955
Other Earmarked	25,554	5,321	30,875
County Fund (General)	13,128	(145)	12,983
	102,082	**1,642**	**103,724**

Schools reserves include revenue £36.4m and capital £8.9m of school's reserves, that are held by individual schools as at 31 March 2011. This was revenue £37.3m and capital £12.4m as at 31 March 2010.

8. Pension Fund

The Council is required to comply with the disclosure requirements of International Accounting Standard (IAS) 19 – Retirement Benefits. Under IAS19, the Council is required to reflect in the Core Financial Statements, the assets and liabilities of the Pension Fund attributable to the Council and the cost of pensions. These disclosures are reflected in the Comprehensive Income and Expenditure Account, the Balance Sheet and the Movement in Reserve Statement.

Local Government Pension Scheme and Fire-fighters Pension Scheme

The pension schemes liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liabilities as at 31 March 2011 are £1.1 billion, a decrease of £255m from 2009-10.

As per Hymans Robertson LLP (Actuary) – IAS19 March 2011 Covering Report;
"The significant changes that have taken place during the year for a typical employer in the Fund are that:

- The deficit has reduced due to positive asset returns and falling long term inflation expectations;
- The deficit has fallen for 2010-11 due to the pension increase change from RPI to CPI which has also impacted on the future service cost for 2011-12.

For full details please refer to Note 47.

9. Local Government Shared Service

From October 2010 NCC and Cambridgeshire County Council (CCC) entered into a Shared Service Partnership. Local Government Shared Services (LGSS) is a shared service venture offering a fully integrated support service. The partnership was formed in response to the challenges faced by local authorities, namely, public sector funding crisis, impact of the recession, rising expectations and growing demand, and striving to reduce the cost of support services through the consolidation of resources, process redesign and exploitation of technology.

LGSS is governed by a joint committee, within LGSS there are four directorates: Finance, Human Resources & Organisational Development, Operations and Legal Services. It delivers financial and operational benefits to both partner councils including:

- Reducing the cost of support services
- Providing high performing support services
- Sharing the investment needed to deliver high performance
- Be seen as leaders in the delivery of shared services
- Providing additional value by offering services to others
- Supporting the transformation of front line services

10. Significant changes in accounting policy

In line with the new local Council reporting requirements outlined in the Code 2010, significant changes have been made to the following:

- Short-term accumulating compensated absences;
- Leases;
- Government Grants;
- Property Plant and Equipment;
- Borrowing Costs.

The impact of these changes are described further in Note 2.

11. The 2010-11 Accounts

The Core Financial Statements are set out on pages 20 to 24. They include:

Movement in Reserves Statement

This Statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and ‘unusable’ reserves. The 'Surplus or (deficit) on the provision of services' line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting purposes. The 'Net increase /Decrease before transfers to earmarked reserves' line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

Total reserves are £281m, an increase of £270m during the year, the majority of which relates to a reduction in the deficit on the Pensions Fund following improvements in the performance of the fund’s investment and the change in future pensions increases moving from Retail Price Inflation (RPI) to Consumer Price Inflation (CPI).

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost.

The Deficit on Provision of Services has reduced from £230m in 2009-10 to a surplus of £60m in 2010-11. This was primarily due to fewer impairments being made to school building assets in 2010 -11 compared to the previous year. The Comprehensive Income and Expenditure balance has moved from a deficit of £463m in 2009-10 to a surplus of £270m in 2010-11, with the majority of the improvement relating to the Pension Fund.

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, ie those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line ‘Adjustments between accounting basis and funding basis under regulations’.

The net assets for the Council increased from £270m to £281m during the year. The main reason for this was the reduction in the deficit on the Pension Fund. Other changes included an increase in Long Term Debtors of £7m following the Council’s decision to loan monies to Silverstone to maintain Northamptonshire’s position as a premier motorsport location and retain the British Grand Prix.

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the

operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (ie borrowing) to the Council.

The Council's cash position improved by £1.6m during 2010-11, providing cash balances of £4.3m as at 31 March 2011.

Also set out on pages 121 and 135 are:

- The Northamptonshire Local Government Pension Scheme accounts, which show income into the Fund in 2010-11 and the benefits paid.
- The Northamptonshire Local Government Pension Fund Net Assets Statement, which sets out the Pension Fund's financial position as at 31 March 2011.
- Northamptonshire Fire & Rescue Service Pension Fund Statement and Net Assets Statement as at 31 March 2011.

The Core Financial Statements have been prepared on the basis of the Accounting Policies described in note 1. Additionally, the figures within The Core Financial Statements are explained in more detail in the notes to the accounts.

12. The Next 12 Months

The reductions in Central Government funding, announced in the Spending Review 2010, along with our position as the County Council with the lowest level of council tax over the next financial year, means that the County Council will operate within a very tight financial environment over the medium term. The main cost pressures over this period continue to be within children's and adult's social services where demand for services is expected to be strong. In addition inflation is at its highest level in recent years.

As a result the County Council faces a £139m funding shortfall over the next 4 years. To balance the medium term financial position, and at the same time enhance service provision to customers, the Council will therefore need to deliver significant savings. These will be generated from a combination of efficiency measures and disinvestment from lower priority services. Radical transformation is required in the way we operate, the way we manage and deliver our services. Difficult decisions have been taken to implement cost reductions of £69m in 2011-12 to meet the many challenges, new and existing, that will need to be overcome.

In order to help us make these tough decisions, we have been engaging with the residents of Northamptonshire through the "You Choose Campaign" to get as many people as possible involved in the debate about the difficult decisions we will have to take to help us face up to the current challenge in public spending.

Other initiatives adopted include our continuing effort to achieve value for money by delivering public services in the best possible way in line with priorities of local people using existing resources. An example of this is current negotiations to conclude a 25 year Street Lighting and Illuminated Signs and Bollards Private Finance Initiative contract. Value for money is about ensuring that an appropriate balance is achieved between economy, efficiency and effectiveness.

VALUE FOR MONEY STATEMENT

The council's Value for Money (VfM) strategy was presented to Cabinet in September 2009. The successful implementation of this strategy will mean:

- Services are fit for purpose, meeting statutory requirements and satisfying local needs.
- Expenditure on services compares favourably with comparable local authorities regardless of whether services are provided directly, in partnership or commissioned through a third party.
- We understand our cost drivers.

- Investment will be directed at improving the efficiency and quality of services and the customer experience.
- Improving outcomes and value for money for local people through a framework of strategic and local partnerships which co-operate effectively to meet shared goals.

We have also begun to review our services' performance against cost and comparing how we are delivering against other County Councils. This enables us to benchmark our services more precisely assisting us to identify areas that should be promptly reviewed.

13. Further information

Further detail is available in the 14 June 2011 Cabinet reports available from http://cmis.northamptonshire.gov.uk/cmiswebpublic/

For information please contact:

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You have the right to inspect our accounts each year before the external audit is completed. We advertise the dates during which you can inspect the accounts in the local press. Our accounts are audited by KPMG LLP. They are the auditors appointed by the Audit Commission.

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Statement of Responsibilities

This is the statement by the Chief Finance Officer that states the accounts are presented fairly to reflect the financial position of the Council. Also in this section is the signature of the Audit Committee Chair when the Statement of Accounts was approved.

Statement of Responsibilities

Chief Finance Officer's responsibilities

The Chief Finance Officer is responsible for the preparation of the Council's Statement of Accounts including Pension Scheme Accounts, in accordance with proper practices as set out in The Chartered Institute of Public Finance and Accountancy (CIPFA)/Local Council Scotland Accounts Advisory Committee (LASAAC) Code of Practice on Local Council Accounting in the United Kingdom ('the Code of Practice'), and is required to present fairly the financial position of the Council at the accounting date and its income and expenditure for the year ending 31 March 2011.

In preparing this Statement of Accounts, the Chief Finance Officer has:

- Selected appropriate accounting policies and then applied them consistently,
- Made judgments and estimates that were reasonable and prudent, and
- Complied with the Code of Practice.

The Chief Finance Officer has also:

- Kept proper accounting records that were up to date, and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certificate of the Chief Finance Officer

I certify that the Statement of Accounts presents fairly the financial position of Northamptonshire County Council at 31 March 2011 and its income and expenditure for the year then ended.

Matt Bowmer
Section 151 Officer **30 June 2011**

Independent auditor's report to the Members of Northamptonshire County Council

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The Core Statements

The core statements comprise:

- Comprehensive Income and Expenditure Statement
- Balance Sheet
- Movement in Reserves Statement
- Cash Flow Statement

These follow on the next pages.

Comprehensive Income and Expenditure Statement

Gross Expenditure 2009-10 £000	Gross Income 2009-10 £000	Net Expenditure 2009-10 £000		Notes	Gross Expenditure 2010-11 £000	Gross Income 2010-11 £000	Net Expenditure 2010-11 £000
2,980	(447)	2,533	Central Services to the Public		2,645	(1,239)	1,406
963	0	963	Court Services		828	(47)	781
86,888	(29,000)	57,888	Cultural, Environmental, Regulatory and Planning Services		88,320	(41,664)	46,656
931,004	(584,534)	346,470	Education and Children's Services		835,473	(628,303)	207,170
23,776	(359)	23,417	Fire & Rescue Services		27,955	(1,604)	26,351
60,847	(19,768)	41,079	Highways and Transport Services		64,509	(22,716)	41,793
208,502	(61,246)	147,256	Adult Social Care		234,221	(64,657)	169,564
5,649	(37)	5,612	Corporate and Democratic Core		7,667	(4,155)	3,512
12,150	(2)	12,148	Non Distributed Costs		12,932	(128,127)	(115,195)
1,332,759	**(695,393)**	**637,366**	**Cost Of Services**		**1,274,550**	**(892,512)**	**382,038**
2,666	1,230	3,896	Other Operating Expenditure	10	7,165	(6,187)	978
87,406	(31,330)	56,076	Financing and Investment Income and Expenditure	11	100,548	(48,415)	52,133
0	(466,622)	(466,622)	Taxation and Non-Specific Grant Income	12	0	(495,464)	(495,464)
		230,716	**(Surplus) or Deficit on Provision of Services**				**(60,315)**
		(71,534)	(Surplus) or Deficit on Revaluation of Non Current Assets				(7,531)
		226	Other gains and losses				0
		58	(Surplus) or Deficit on Revaluation of Available for Sale Financial Assets				(22)
		303,582	Actuarial (gains) / losses on pension assets / liabilities				(201,860)
		232,332	**Other Comprehensive Income and Expenditure**				**(209,413)**
		463,048	**Total Comprehensive Income and Expenditure**				**(269,728)**

Balance Sheet

1 April 2009 £000	31 March 2010 £000		Notes	31 March 2011 £000
1,489,128	1,358,601	Property, Plant & Equipment	13	1,349,444
6,163	20,867	Investment Property	15	6,133
13,840	10,777	Intangible Assets	18	7,767
4,294	0	Assets held for sale (>1 yr)	24	0
10,690	0	Long Term Investments		0
1,772	5,838	Long Term Debtors	46	13,237
1,525,887	**1,396,083**	**Long Term Assets**		**1,376,581**
169,300	203,341	Short Term Investments		185,614
7,497	7,238	Assets held for sale (<1yr)	24	6,530
545	606	Inventories	20	969
45,059	51,895	Short Term Debtors	22	51,876
3,166	3,789	Cash and Cash Equivalents	23	8,820
225,567	**266,869**	**Current Assets**		**253,809**
(14,072)	(1,067)	Bank Overdraft	23	(4,483)
(160,744)	(159,968)	Short Term Borrowing		(179,529)
(132,584)	(130,878)	Short Term Creditors	25	(129,674)
(6,296)	(2,513)	Provisions (<1yr)	26	(7,704)
(313,696)	**(294,426)**	**Current Liabilities**		**(321,390)**
(27,298)	(55,206)	Long Term Creditors		(21,733)
(58,543)	(58,368)	Provisions (>1yr)	26	(64,140)
(481,725)	(522,124)	Long Term Borrowing		(524,143)
(402,437)	(721,342)	Other Long Term Liabilities		(417,770)
(970,003)	**(1,357,040)**	**Long Term Liabilities**		**(1,027,786)**
467,755	**11,486**	**Net Assets**		**281,214**
		Represented by:		
13,921	13,129	General Fund		12,982
22,710	30,553	Earmarked Reserves		35,830
45,909	58,402	Schools Reserves		54,911
7,279	3,518	Capital Receipts Reserve		1,408
4,207	4,684	Capital Grants Unapplied		14,283
94,026	**110,286**	**Usable reserves**	28	**119,414**
70,044	51,495	Revaluation Reserve		55,790
(399,936)	(718,840)	Pensions Reserve		(415,268)
732,572	610,084	Capital Adjustment Account		559,646
7,060	7,606	Financial Instruments Adjustment Account		5,738
489	431	Available-for-Sale Financial Instruments Reserve		453
259	(1,565)	Collection Fund Adjustment Account		1,812
(18,400)	(27,950)	Pay and Benefits Account		(31,050)
(18,359)	(20,061)	Short-term Accumulating Compensated Absences Account		(15,321)
373,729	(98,800)	**Unusable Reserves**	29	**161,800**
467,755	**11,486**	**Total Reserves**		**281,214**

The Core Financial Statements

Movement in Reserves Statement

	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000
Note		**9**				**29**	
Balance at 31 March 2009	13,921	68,619	7,279	4,207	94,026	380,508	**474,534**
<u>Movement in Reserves during 2009-10</u>							
Surplus or (deficit) on the provision of services	(230,716)	0	0	0	(230,716)	0	**(230,716)**
Other Comprehensive Income and Expenditure	0	0	0	0	0	(232,332)	**(232,332)**
Total Comprehensive Income and Expenditure	(230,716)	0	0	0	(230,716)	(232,332)	**(463,048)**
Adjustments between accounting basis & funding basis under regulations (Note 8)	249,507	753	(3,761)	477	246,976	(246,976)	0
Net Increase/Decrease before Transfers to Earmarked Reserves	18,791	753	(3,761)	477	16,260	(479,308)	**(463,048)**
Transfers to/from Earmarked Reserves (Note 9)	(19,583)	19,583	0	0	0	0	**0**
Increase/Decrease in 2009-10	(792)	20,336	(3,761)	477	16,260	(479,308)	**(463,048)**
Balance at 31 March 2010 carried forward	13,129	88,955	3,518	4,684	110,286	(98,800)	**11,486**
<u>Movement in Reserves during 2010-11</u>							
Surplus or (deficit) on provision of services	60,315	0	0	0	60,315	0	**60,315**
Other Comprehensive Income and Expenditure	0	0	0	0	0	209,414	**209,414**
Total Comprehensive Income and Expenditure	60,315	0	0	0	60,315	209,414	**269,729**
Adjustments between accounting basis & funding basis under regulations (Note 8)	(58,676)	0	(2,110)	9,599	(51,186)	51,186	**0**
Net Increase/Decrease before Transfers to Earmarked Reserves	1,639	0	(2,110)	9,599	9,129	260,600	**269,729**
Transfers to/from Earmarked Reserves (Note 9)	(1,786)	1,786	0	0	0	0	**0**
Increase/Decrease in 2010-11	(147)	1,786	(2,110)	9,599	9,128	260,600	**269,728**
Balance at 31 March 2011 carried forward	12,982	90,741	1,408	14,283	119,414	161,800	**281,214**

Cash Flow Statement

2009-10 £000		Notes	2010-11 £000
230,716	Net (surplus) or deficit on the provision of services		(61,596)
(257,137)	Adjust net surplus or deficit on the provision of services for non cash movements		(20,558)
36,189	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		111,410
9,768	Net cash flows from Operating Activities	30a	29,256
(7,420)	Investing Activities	30b	7,792
(15,988)	Financing Activities	30c	(38,663)
(13,640)	Net (increase) or decrease in cash and cash equivalents		(1,615)
(10,918)	Cash and cash equivalents at the beginning of the reporting period		2,722
2,722	**Cash and cash equivalents at the end of the reporting period**		**4,337**

Cash and cash equivalents consist of:

2009-10 £000		2010-11 £000
3,789	Cash and Cash Equivalents	8,820
(1,067)	Bank Overdraft	(4,483)
2,722	**Cash and cash equivalents at the end of the reporting period**	**4,337**

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Notes to

The Core Financial Statements

Notes to the Core Financial Statements

1 Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the Council's financial transactions for the year ending 31 March 2011 and its financial position as at 31 March 2011.

The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011. These regulations require the Statement of Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Council Accounting in the United Kingdom 2010-11 and the Best Value Accounting Code of Practice 2010-11, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

1.2 Income and Expenditure

The Revenue Accounts are maintained on an accruals basis. Expenditure is charged to the revenue accounts in the period in which goods and services are received and, similarly, income is credited in the period to which it relates, regardless of the timing of cash payments or receipts.

An exception to the above is pension strain costs arising from redundancy/early retirement. Pension strain is the estimated cost to the Pension Fund of paying out benefits earlier than anticipated. This is treated on a cash basis over the three year period subsequent to the year in which the redundancy/early retirement takes place.

Where there is a delay between the date goods are received and their consumption, they are carried as stocks on the Balance Sheet. Stocks are valued at the lower of cost or net realisable value. Some stocks are not recognised on the Balance Sheet, such as library books.

Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

1.3 Council Tax Income

Up to 2008-09 the Statement of Recommended Practice (SORP) required that the Council Tax income in the precept authorities income and expenditure account was shown as per Council Tax Regulations, and all Council Tax Debtors or Creditors were shown in the billing authorities' accounts.

A change in 2009-10 required that the Council Tax income included in the precept authorities income and expenditure account is the accrued income for the year, and the difference between the accrued and regulation income included as a reconciling item in the statement of movement on the General Fund balance.

In addition the precept Council shows their share of the Council Tax debtors/creditors in the balance sheet.

1.4 Provisions

Provisions are made to cover liabilities or losses where an event has taken place that gives the Council a likely or certain obligation to pay, but for which the timing is uncertain, such as court action.

Provisions are presented on the face of the Balance Sheet as either current or non-current liabilities. In addition, where the time value of money is significant, provisions are measured in the Balance Sheet at the present value of the expenditure required to settle the obligation.

Provisions are charged as an expense to the appropriate service revenue account in the year that the Council becomes aware of the obligation. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year; if the provision changes, the amount is charged or credited to the appropriate service revenue account.

Provision for Back Pay Arising from Unequal Pay Claims, is known as Pay and Benefits

The Council has made a provision for the costs of settling claims for back pay arising from discriminatory payments incurred before the Council implemented its equal pay strategy. However, statutory arrangements allow settlements to be financed from the General Fund in the year that payments actually take place, not when the provision is established. The provision is therefore balanced by an Equal Pay Back Pay Account created from amounts credited to the General Fund balance in the year the provision was made or modified. The balance on the Equal Pay Back Pay Account will be debited back to the General Fund balance in the Movement in Reserves Statement in future financial years as payments are made.

1.5 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to protect against unexpected events. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year, to be recorded against the Net Cost of Services in the Comprehensive Income and Expenditure Account.

County Council Reserves include:

- Earmarked reserves, which are set aside for specific purposes.
- General reserves, which are set aside for unexpected events and cash flow management.
- Revaluation Reserve, which records unrealised gains arising (since 1 April 2007) from holding fixed assets, and a
- Capital Adjustment Account, which provides a balancing mechanism between the different rates at which assets are depreciated.

1.6 Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants, third party and partner contributions are recognised as due to the Council when there is reasonable assurance that:

- The Council will comply with the conditions attached to the payments, and
- The grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by

the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

1.7 Pensions

Northamptonshire County Council participates in three different pension schemes that meet the needs of employees in particular services. All the schemes provide members with defined benefits related to pay and service. The schemes are as follows:

Teachers

This is an unfunded scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education. In an unfunded defined benefit scheme, no assets are set aside and the benefits are paid for by the employer or other pension sponsor as and when they are paid. It is classified as a 'single-employer defined benefit scheme' in which the assets and liabilities are not identifiable at individual employer level on a consistent and reasonable basis. However, the individual employer has to pay for the unfunded discretionary benefits awarded. The pension cost shown in our accounts is:

The contribution rate set by the DCSF paid to a notional fund; plus the cost of paying early retirement pensions (excluding ill health) after September 1997.

Uniformed fire fighters'

Two pension schemes exist for uniformed fire fighters. The 1992 scheme for whole-time uniformed staff who were eligible to join pre April 2006 and the 2006 scheme, for whole-time staff joining after 1 April 2006 and retained fire fighters who were previously not eligible to join a fire-fighter pension scheme. The charge shown in the accounts represents the cost to the Council of employer contributions based on a nationally set percentage of pensionable pay.

Other Employees

Other employees are eligible to join the Local Government Pension Scheme which is accounted for as a funded defined benefits scheme. In a funded defined benefit scheme, surplus contributions from the employer and employees are invested in a fund towards meeting future liabilities. The liabilities attributable to the Council are included in the Balance Sheet on an actuarial basis using the 'projected unit method' i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc. and projections of earnings for current employees. In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the Pension Fund.

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements on grounds of redundancy or efficiency. Any liabilities estimated to arise as a result of discretionary early retirement awards are accrued in the year the decision was made.

1.8 Value Added Tax (VAT)

The Comprehensive Income and Expenditure Statement excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue & Customs and all VAT paid is recoverable from them.

1.9 Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2010 (BVACOP). The total absorption costing principle is used, whereby the full cost of overheads and support services are shared between users in proportion to the benefits received.

Accounted for as separate headings in the Comprehensive Income and Expenditure Stetement, as part of Net Cost of Services are:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation, and
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early.

1.10 Intangible Assets

The Council's Intangible Assets consist of purchased software licences which have a useful economic life of at least three years. All Intangible Assets are included at historic cost and written down on a straight line basis over their economic lives from the year following acquisition. The useful economic lives are reviewed at the end of each reporting period and revised if necessary.

1.11 Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Measurement
Assets are initially measured at cost, comprising:

- the purchase price.
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Council has adopted a policy of capitalising borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Recognition
Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment with a value over £10,000 is capitalised, on an accruals basis. Provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably, provided it yields benefits to the Council and the services that it provides exceed one financial year. This applies to either single items over £10,000 or to groups of similar items whose value collectively exceeds £10,000. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e., repairs and maintenance) is charged as an expense when it is incurred.

Assets are recorded in the Balance Sheet using the following measurement bases:
- Land and buildings, vehicles, plant and equipment, furniture and equipment- lower of net current replacement cost or net realisable value in existing use.
- Infrastructure assets (i.e. roads, roundabouts and bridges) – depreciated historical cost.
- Community assets – depreciated historical cost.

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. (Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service).

Where decreases in value are identified, they are accounted for by:
- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.
- the Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment
Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:
- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Expenditure and income relating to capital projects is accounted for on an accruals basis to fully accord with CIPFA/LASAAC's Statement of Recommended Practice.

Depreciation is provided for on all assets with a determinable finite life (except for land, investment properties and community assets), by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use. We do not provide reductions in value for new assets in their first year or for assets being made or built until they are brought into use.

Depreciation is calculated on a straight line basis over the length of useful life:

Category	Useful Life in Years
IT Equipment	3
Infrastructure	40
Buildings	35 to 60
Vehicles - Cars	5
- Vans and Lorries	7
- Buses	10
- Fire Appliances	13

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Component accounting for Property Assets
Where a building has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately over the useful life of that component. The table below identifies the significant components and useful life.

Component	Typical maximum useful life
Building Structure = substructure + superstructure including internal walls, windows and doors, but excludes roof, finishes and fittings.	60 years
Roof = flat roof types and non traditional pitched, pitched/tiled (excluding thatch).	50 years
Mechanical & Electrical (services) = water, heat, ventilation, electrics, lifts, fire, communications.	20 years
External Works = hard surfaces, below ground services (excludes fences).	45 years

The Council has applied a phased approach for its property assets to meet the Code's prospective requirements. The application in the first year will be to:

- Enhancement expenditure incurred over £500k,
- Acquisition expenditure incurred over £500k, and
- Revaluations carried out as part of the Council's five year rolling programme of property valuations with a value over £500k.

As part of the rolling programme of building and land valuations, each valuation provides a value and remaining life for each significant component. Each year the Asset Register will be updated with this information. Therefore, all buildings above the de minimus of £500k will have been recorded on a component basis at the end of the five year programme.

Disposals and Non-Current Assets Held for Sale
When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale. If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped continue to be classified as Surplus Assets until they are removed from the Balance Sheet.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council’s underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement. The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

1.12 Charges to Revenue for Non Current Assets

The Council’s services revenue accounts, support services and trading accounts are debited with the following amounts to record the cost of holding non current assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be recovered.
- amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance via the annual MRP charge, by way of an adjusting transaction with

the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

1.13 Revenue Expenditure Funded from Capital Under Statute

This represents expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of fixed assets belonging to the Council. This amount is charged to the relevant service revenue account in the year. This may include expenditure on assets not belonging to the Council such as service user homes and foundation schools. Where the Council has determined to meet the cost of this expenditure from existing capital resources or borrowings, a transfer to the Capital Adjustment Account is made to reverse out the amount charged so there is no impact on the level of council tax.

1.14 Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the Property, Plant or Equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

<u>The Council as Lessee</u>
<u>Finance Leases</u>
Property, Plant and Equipment held under finance leases are recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

<u>Operating Leases</u>
Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or

equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g., there is a rent-free period at the commencement of the lease).

The Council as Lessor
Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written off value of disposals is not a charge against council tax, as the cost of non current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases
Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g., there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

1.15 Financial Instruments

A Financial Instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term "Financial Instrument" covers both financial assets and financial liabilities.

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based

on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year on the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Comprehensive Income and Expenditure Account in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

The Council's financial assets are classified as loans and receivables or available for sale. Loans and receivables are assets that have fixed or determinable payments but are not quoted in an active market, and represent the majority of the Council's investments. These instruments are accounted for under amortised cost as described above. The Council also has a number of available-for-sale assets. These are assets that have a quoted market price and/or do not have fixed or determinable payments. They are carried on the balance sheet at fair value with realised gains/losses being posted to the Comprehensive Income and Expenditure Statement and unrealised gains/losses going to the available-for-sale reserve.

1.16 Inventories and Work in Progress

Inventories are included in the Balance Sheet at the lower of cost or net realisable value. Work in progress is recognised at cost and held in the Balance Sheet until the work has been completed.

1.17 Landfill Allowance Trading Scheme (LATS)

LATS became a statutory requirement on Waste Disposal authorities at the start of 2005-06. Authorities are granted annual allowances which can be traded.

Allowances granted are recorded cumulatively in investments, waste disposal usage is cumulatively recorded in creditors and the surplus is held in Earmarked Reserves at the CIPFA/ Department for Environment, Food and Rural Affairs (DEFRA) agreed rates.

1.18 Private Finance Initiative (PFI) transactions and similar contracts

The Code requires these contracts to be accounted for in a manner consistent with the adoption of International Financial Reporting Interpretations Committee (IFRIC) 12 Service Concession Arrangements as contained in the government's Financial Reporting Manual (FreM). The Code has determined that the Council shall account for PFI schemes where the Council controls the use of the Tangible Fixed Assets and the residual interest in the asset at the end of the arrangement as service concession arrangements, following the principles of the requirements of IFRIC 12. The Council therefore recognises the PFI assets as Tangible Fixed Assets together with a liability to pay for it. The services received under the contract are recorded as operating expenses.

The annual unitary payment is separated into the following component parts, using appropriate estimation techniques where necessary:

- Payment for the value of services received;
- Payment for the PFI asset, including finance costs; and
- Payment for the replacement of components of the asset during the contract 'lifecycle replacement'.

Services received
The value of services received in the year is recorded under the relevant expenditure headings within 'operating expenses'.

PFI Asset
The PFI assets are recognised as Tangible Fixed Assets, when they come into use. The assets are measured at the lower of net current replacement cost or net realisable value in existing use.

PFI liability
A PFI liability is recognised at the same time as the PFI assets are recognised. It is measured initially at the same amount as the value of the PFI assets and is subsequently measured as a finance lease liability in accordance with IFRIC12.

An annual finance cost is calculated by applying the implicit interest rate in the lease to the opening lease liability for the period, and is included in Interest Payable and similar charges within the Comprehensive Income and Expenditure Statement.

The element of the annual unitary payment that is allocated as a finance lease rental is applied to meet the annual finance cost and to repay the lease liability over the contract term.

An element of the annual unitary payment increase due to cumulative indexation is allocated to the finance lease. In accordance with IFRIC12, this amount is not included in the minimum lease payments, but is instead treated as contingent rent and is expensed as incurred. In substance, this amount is a finance cost in respect of the liability and the expense is included in Interest Payable and similar charges within the Comprehensive Income and Expenditure Statement.

Lifecycle replacement
Components of the asset replaced by the operator during the contract ('lifecycle replacement') are capitalised where they meet the Council's criteria for capital expenditure. They are capitalised at the time they are provided by the operator and are measured initially at the lower of net current replacement cost or net realisable value in existing use.

The element of the annual unitary payment allocated to lifecycle replacement is pre-determined for each year of the contract from the operator's planned programme of lifecycle replacement. Where the lifecycle component is provided earlier or later than expected, a reserve is recognised respectively.

Where the value of the lifecycle component is less than the amount determined in the contract, the difference is recognised as an expense when the replacement is provided.

Assets contributed by the Council to the operator for use in the scheme
Assets contributed for use in the scheme continue to be recognised as Tangible Fixed Assets.

PFI credits
Government Grants received for PFI schemes, in excess of current levels of expenditure, are carried forward as an earmarked reserve to fund future contract expenditure and will be drawn down as required.

1.19 Minimum Revenue Provision (MRP)

The Council assess their Minimum Revenue Provision in accordance with the main recommendations contained within the Guidance issued by the Secretary of State under section 21(1A) of the Local Government Act 2003.

The major proportion of the MRP will relate to the historic debt liability up to 31 March 2007 that will continue to be charged at the rate of 4%, in accordance with option 1 of the Guidance. This 'base' CFR position will be reduced by the MRP charged against it annually

From 2007-08 onwards expenditure on completed assets only will be subject to MRP charges. This is under option 3 of the guidance and will be based on the estimated useful life of the assets created, using the equal annual instalment method. For example, capital expenditure on new buildings, or on the refurbishment or enhancement of a building, will be related to the estimated life of the building.

Estimated life periods will be determined under delegated powers. To the extent that expenditures do not create an asset, and are of a type that are subject to estimated life periods that are referred to in the Guidance, these estimated life periods will generally be adopted by the Council. However, in the case of long term debtors arising from loans or other types of capital expenditure made by the Council which will be repaid under separate credit arrangements such as leasing and PFI, there will be no Minimum Revenue Provision made.

The Council is satisfied that a prudent provision will be achieved after exclusion of capital expenditure.

In view of the variety of different types of capital expenditure incurred by the Council, which is not in all cases capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also, whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure, and will only be divided up in cases where there are two or more major components with substantially different useful economic lives.

The determination as to which schemes shall be deemed to be financed from available resources, and those which will remain as an outstanding debt liability to be financed by borrowing or other means will be assessed under delegated powers.

The policy will be reviewed annually to ensure prudence is achieved from using the options available.

The option to delay charges until the year after the asset comes into operation (the MRP holiday) will be used where applicable.

Where it is considered prudent to do so, non-operational assets will be excluded from the MRP calculation.

Any under or over provisions that are identified for previous years; will be taken into consideration in the calculation of the current year's provisions and adjusted accordingly.

1.20 Borrowing Costs

Borrowing costs that are:

- directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset;
- when it is probable that they will result in future economic benefits or service potential to the Council; and
- the costs can be measured reliably;

shall be capitalised and form part of the cost of that non current asset.

Borrowing costs form part of the cost of the non current asset and are charged to revenue over the life of the asset in accordance with Minimum Revenue Provision (MRP) policy.

Where the Council borrows funds specifically for the purpose of obtaining a qualifying asset, the Council shall determine the amount of borrowing costs eligible for capitalisation as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings.

Where the Council borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the Council shall apply a capitalisation rate to the expenditures on that asset. The capitalisation rate shall be the weighted average of the borrowing costs that are outstanding during the period.

The amount of borrowing costs capitalised shall not exceed the amount of borrowing costs incurred during the period.

<u>Capitalisation</u>
The commencement of capitalisation begins when all of the following are met:

- expenditure in respect of the asset are incurred;
- finance costs in respect of the asset are incurred; and
- activities that are necessary to develop an asset are in progress.

Capitalisation ceases when substantially all of the activities necessary to prepare the asset for its intended use or sale are complete.

Capitalisation should be suspended during periods in which active development is interrupted.

1.21 Employee Benefits

<u>Benefits payable during employment</u>
Short term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave e.g. time off in lieu) earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

<u>Termination Benefits</u>
Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement,

appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

1.22 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council’s cash management.

2 Transition to IFRS

The Statement of Accounts for 2010-11 is the first to be prepared on an IFRS basis. Adoption of the IFRS based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009-10.

The following tables explain the material differences between the amounts presented in the 2009-10 financial statements and the equivalent amounts presented in the 2010-11 financial statements.

2.1 Short term accumulating compensated absences

Short-term accumulating compensated absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Council. The most significant benefit covered by this heading is holiday pay.

Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render service that increases their entitlement to future compensated absences. As a result, the Council is required to accrue for any annual leave earned but not take at 31 March each year. Under the previous accounting arrangements, no such accrual was required.

The Government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used.

Accruing for short term accumulating compensated absences has resulted in the following changes being made to the 2009-10 financial statements:

2.2 Leases

As a consequence of classifying the vehicle element of the lease as a finance lease, the financial statements have been amended as follows:

- The Council has recognised vehicles as an asset and a finance lease liability.
- The operating lease charge within both Fire and Rescue and Highways and Transport Services has been reduced by the amount that relates to the buildings element of the lease payments.
- A depreciation charge has been included within Fire and Rescue and Highways and Transport Services.
- The depreciation charge has been transferred from the General Fund to the Capital Adjustment Account. This transfer has been reflected in the Balance Sheets as at 1 April 2009 and 31 March 2010, and the adjustments that relate to 2009-10 are reported in the Movement in Reserves Statement for the year.
- The interest element of the lease payment in respect of the buildings element is charged to the Financing and Investment Income and Expenditure line in the Surplus or Deficit on the Provision of Services.

The net change to Fire and Rescue and Highways and Transport Services consists of the removal of the operating lease charge for the vehicles element of the lease (reduction of £1,281k)

and the inclusion of the depreciation charge (increase of £809k). The £282k net decrease in the defecate on the Provision of Services is removed by the transfer of the depreciation charge to the Capital Adjustment Account. This transfer is shown in the Movement in Reserves Statement.

2.3 Government Grants

Under the Code, grants and contributions are recognised as income when they become receivable.

Capital Grants
Previously, capital grants were held in a grants deferred account and recognised as income over the life of the assets which they were used to fund.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- the balance on the Government Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 balance sheet.

- portions of government grants deferred were previously recognised as income in 2009-10; these have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures.

- previously where a grant was received in 2009-10 but not used no income was recognised in respect of this grant. The unused amount was shown in the Grants Unapplied Account within the liabilities section of the balance sheet. Following the change in accounting policy, the grant has been recognised in full, and where grant conditions have been met transferred to the Capital Grants Unapplied Account within the reserves section of the balance sheet.

Revenue Grants
As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- previously where a grant was received in 2009-10 but not used no income was recognised in respect of this grant. The unused income was shown in the Revenue Grants Unapplied Account within the liabilities section of the balance sheet. Following the change in accounting policy, the grant has been recognised in full, and where grant conditions have been met transferred to the Revenue Grants Unapplied Account within the reserves section of the balance sheet.

2.4 Non Current Assets

As a consequence of adopting changes to the accounting policy as required by the Code, the financial statements have been amended as follows:

Surplus Assets, not for sale
For 2009-10 where an asset that was classified as a surplus asset under the SORP, and does not meet the criteria to be classified as either held for sale or as an investment property under the Code, the asset will continue to be classified as a surplus asset.

Under the Code classification as a surplus asset within property, plant and equipment will normally arise in one of two circumstances:
1) Where the authority has ceased to use the asset for service delivery but has not, at the balance sheet date, decided whether to sell the asset, develop it for future sale, or develop it for future use in providing services.

2) Where the authority has decided to sell the asset but, at the balance sheet date, the strict criteria of the Code (see below) had not been met.

Assets held for sale
For 2009-10 Assets held for sale are disclosed separately from Property, Plant and Equipment in the Balance Sheet.

The conditions for a non-current asset or disposal group to be classified as held for sale are as follows:

- the assets must be available for immediate sale in their present condition and its sale must be highly probable,
- the asset must be currently marketed actively at a price that is reasonable in relation to its current fair value,
- the sale should be completed, or expected to be so, within a year from the date of the classification, and
- the actions required to complete the planned sale will have been made, and it is unlikely that the plan will be significantly changed or withdrawn.

2.5 Other

As a consequence of adopting changes to the accounting policy as required by the Code, the financial statements have been amended as follows:

Investment Properties
For 2009-10 Investment Properties are disclosed separately from Property Plant and Equipment in the Balance Sheet.

In accordance with IAS 40 "Investment property" depreciation is not provided. Properties are revalued annually being recognised in the accounts at fair value, with revaluation gains being taken directly to the income statement rather than the revaluation reserve.

Borrowing Costs
For 2009-10 the Council has changed its accounting policy for borrowing costs incurred where items of property, plant and equipment take a substantial period of time to get ready for their intended use. Previously borrowing costs had been charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the financial year in which they were incurred.

The new policy is to capitalise borrowing costs for qualifying assets. The Council has enhanced the accounting policy because it believes that the capitalisation of borrowing costs better reflects the costs of property, plant and equipment and helps ensure that those benefitting from the use of the asset meet those costs.

The effects of the restatement are as follows:

At 31 March 2010, the carrying amount of Property, Plant and Equipment is restated upwards by £1.1m of capitalised borrowing costs). Capitalisation of the borrowing costs results in an increase in the General Fund Balance of £1.1m.

The effects of all the above changes are shown in the following restated 2009-10 Financial Statements.

IMPACT OF THE ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The statement of Accounts for 2010-11 is the first to be prepared on an IFRS basis. Adoption of the IFRS-based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009-10.
An explanation of the differences between the amounts presented in the 2009-10 financial statements and the equivalent amounts presented in the 2010-11 financial statements is set out in the following tables and notes that accompany the tables.
RECONCILIATION OF NET WORTH REPORTED UNDER PREVIOUS GAAP TO NET WORTH UNDER IFRS AT THE DATE OF TRANSITION TO IFRS (1st APRIL 2009).

	Previous	**Effect of transition to IFRS**					**IFRS**
	GAAP	**Absences**	**Leases**	**Grants**	**Assets held for sale**	**Other**	
	Note ref:	2.1	2.2	2.3	2.4	2.5	
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Property Plant and Equipment	1,500,210	0	3,295	0	(11,791)	(2,586)	1,489,128
Investment Property	3,577	0	0	0	0	2,586	6,163
Intangible Assets	13,840	0	0	0	0	0	13,840
Assets held for sale (>1yr)	0	0	0	0	4,294	0	4,294
Long Term Investments	10,690	0	0	0	0	0	10,690
Long Term Debtors	1,772	0	0	0	0	0	1,772
LONG TERM ASSETS	**1,530,089**	**0**	**3,295**	**0**	**(7,497)**	**0**	**1,525,887**
Short Term Investments	169,312	0	0	0	0	(12)	169,300
Assets held for sale (<1yr)	0	0	0	0	7,497	0	7,497
Inventories	545	0	0	0	0	0	545
Short Term Debtors	45,059	0	0	0	0	0	45,059
Cash and cash equivalents	3,154	0	0	0	0	12	3,166
CURRENT ASSETS	**218,070**	**0**	**0**	**0**	**7,497**	**0**	**225,567**
Bank overdraft	(14,072)	0	0	0	0	0	(14,072)
Short Term Borrowing	(159,915)	0	(829)	0	0	0	(160,744)
Short Term Creditors	(147,880)	(18,359)	0	33,655	0	0	(132,584)
Provisions (<1yr)	0	0	0	0	0	(6,296)	(6,296)
CURRENT LIABILITIES	**(321,867)**	**(18,359)**	**(829)**	**33,655**	**0**	**(6,296)**	**(313,696)**
Long Term Creditors	(254,848)	0	0	227,550	0	0	(27,298)
Provisions (>1yr)	(64,839)	0	0	0	0	6,296	(58,543)
Long Term Borrowing	(479,687)	0	(2,038)	0	0	0	(481,725)
Other Long Term Liabilities	(402,437)	0	0	0	0	0	(402,437)
LONG TERM LIABILITIES	**(1,201,811)**	**0**	**(2,038)**	**227,550**	**0**	**6,296**	**(970,003)**
NET ASSETS	**224,481**	**(18,359)**	**428**	**261,205**	**0**	**0**	**467,755**
Other usable reserves	87,669	0	0	2,150	0	0	89,819
Capital Grants Unapplied Account	0	0	0	4,207	0	0	4,207
Usable reserves	**87,669**	**0**	**0**	**6,357**	**0**	**0**	**94,026**
Other unusable reserves	(340,484)	(18,359)	0	0	0	0	(358,843)
Capital Adjustment Account	477,296	0	428	254,848	0	0	732,572
Unusable reserves	**136,812**	**(18,359)**	**428**	**254,848**	**0**	**0**	**373,729**
TOTAL RESERVES	**224,481**	**(18,359)**	**428**	**261,205**	**0**	**0**	**467,755**

IMPACT OF THE ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

RECONCILIATION OF NET WORTH REPORTED UNDER PREVIOUS GAAP TO NET WORTH UNDER IFRS AT THE DATE OF TRANSITION TO IFRS (31st MARCH 2010).

	Previous GAAP	Effect of transition to IFRS					IFRS
		Absences	Leases	Grants	Assets held for sale	Other	
	Note ref:	2.1	2.2	2.3	2.4	2.5	
	£000	£000	£000	£000	£000	£000	£000
Property Plant and Equipment	1,322,103	0	2,955	0	31,673	1,870	1,358,601
Investment Property	18,245	0	0	0	2,567	55	20,867
Intangible Assets	10,777	0	0	0	0	0	10,777
Assets held for sale (>1yr)	0	0	0	0	0	0	0
Long Term Investments	0	0	0	0	0	0	0
Long Term Debtors	1,983	0	0	0	0	3,855	5,838
LONG TERM ASSETS	**1,353,108**	**0**	**2,955**	**0**	**34,240**	**5,780**	**1,396,083**
Short Term Investments	204,261	0	0	0	0	(920)	203,341
Assets held for sale (<1yr)	41,475	0	0	0	(34,240)	3	7,238
Inventories	606	0	0	0	0	0	606
Short Term Debtors	51,829	0	0	0	0	66	51,895
Cash and cash equivalents	2,869	0	0	0	0	920	3,789
CURRENT ASSETS	**301,040**	**0**	**0**	**0**	**(34,240)**	**69**	**266,869**
Bank overdraft	(1,066)	0	0	0	0	(1)	(1,067)
Short Term Borrowing	(159,027)	0	(941)	0	0	0	(159,968)
Short Term Creditors	(173,610)	(20,061)	0	62,793	0	0	(130,878)
Provisions (<1yr)	0	0	0	0	0	(2,513)	(2,513)
CURRENT LIABILITIES	**(333,703)**	**(20,061)**	**(941)**	**62,793**	**0**	**(2,514)**	**(294,426)**
Long Term Creditors	(214,089)	0	0	158,883	0	0	(55,206)
Provisions (>1yr)	(60,210)	0	0	0	0	1,842	(58,368)
Long Term Borrowing	(520,820)	0	(1,304)	0	0	0	(522,124)
Other Long Term Liabilities	(721,342)	0	0	0	0	0	(721,342)
LONG TERM LIABILITIES	**(1,516,461)**	**0**	**(1,304)**	**158,883**	**0**	**1,842**	**(1,357,040)**
NET ASSETS	**(196,016)**	**(20,061)**	**710**	**221,676**	**0**	**5,177**	**11,486**
Other usable reserves	102,170	0	0	2,903	0	529	105,602
Capital Grants Unapplied Account	0	0	0	4,684	0	0	4,684
Usable reserves	**102,170**	**0**	**0**	**7,587**	**0**	**529**	**110,286**
Other unusable reserves	(688,823)	(20,061)	0	0	0	0	(708,884)
Capital Adjustment Account	390,637	0	710	214,089	0	4,648	610,084
Unusable reserves	**(298,186)**	**(20,061)**	**710**	**214,089**	**0**	**4,648**	**(98,800)**
TOTAL RESERVES	**(196,016)**	**(20,061)**	**710**	**221,676**	**0**	**5,177**	**11,486**

IMPACT OF THE ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

RECONCILIATION OF COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT REPORTED UNDER PREVIOUS GAAP TO COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT REPORTED UNDER IFRS FOR THE YEAR ENDED (31st MARCH 2010)

Comprehensive Income and Expenditure Statement
For the year ended 31 March 2010

	Net Expenditure					
	Previous GAAP	**Effect of transition to IFRS**				**IFRS**
		Absences	**Leases**	**Grants**	**Other**	
	Note	2.1	2.2	2.3	2.5	
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Central Services to the Public	1,863	0	0	670	0	2,533
Court Services	963	0	0	0	0	963
Cultural, Environmental, Regulatory and Planning Services	49,490	7	0	8,350	41	57,888
Education and Children's Services	260,070	1,748	0	84,594	58	346,470
Fire & Rescue Services	23,199	(4)	(236)	458	0	23,417
Highways and Transport Services	38,080	(9)	(236)	3,244	0	41,079
Adult Social Care	148,926	(40)	0	(1,630)	0	147,256
Corporate and Democratic Core	5,670	0	0	0	(58)	5,612
Non Distributed Costs	12,148	0	0	0	0	12,148
Cost Of Services	**540,409**	1,702	(472)	95,686	41	**637,366**
Other Operating Expenditure	2,666	0	0	1,230	0	3,896
Financing and Investment Income and Expenditure	57,086	0	190	0	(1,200)	56,076
Taxation and Non-Specific Grant Income	(407,100)	0	0	(59,522)	0	(466,622)
(Surplus)/Deficit on Provision of Services	**193,061**	1,702	(282)	37,394	(1,159)	**230,716**
(Surplus) or deficit arising on revaluation of non current assets	(71,534)	0	0	0	0	(71,534)
Other gains and losses to be included	226	0	0	0	0	226
(Surplus) or Deficit on Revaluation of Available for Sale Financial Assets	58	0	0	0	0	58
Actuarial (gains) and losses on pension fund assets and liabilities - gains/losses posted to pensions reserve	303,582	0	0	0	0	303,582
Other Comprehensive Income and Expenditure	**232,332**					**232,332**
Total Comprehensive Income and Expenditure	**425,393**	**1,702**	**(282)**	**37,394**	**(1,159)**	**463,048**

3. Heritage Assets: Impact of the Adoption of the new standard on the 2011-12 financial statements

The Code of Practice on Local Council Accounting in the United Kingdom 2011-12 (the Code) has introduced a change in accounting policy in relation to the treatment of heritage assets held by the Council, which will need to be adopted fully by the Council in the 2011-12 financial statements.

The Council is required to disclose information relating to the impact of the accounting change on the financial statements as a result of the adoption by the Code of a new standard that has been issued, but is not yet required to be adopted by the Council, in this case, heritage assets. As is set out above, full adoption of the standard will be required for the 2011-12 financial statements. However, the Council is required to make disclosure of the estimated effect of the new standard in these (2010-11) financial statements. The new standard will require that a new class of asset, heritage assets, is disclosed separately on the face of the Council's Balance Sheet in the 2011-12 financial statements.

Heritage assets are assets that are held by the Council principally for their contribution to knowledge or culture. For example, art collections, ceramics and historical artefacts. At this point in time Northamptonshire County Council does not have any significant heritage assets.

4. Critical judgements in applying accounting policies

In applying the accounting policies set out in Note 1 the Council has to make certain judgements about complex transaction or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

Future levels of funding for local government
There is a high degree of uncertainty about future levels of funding for local government. However, the Council has judged that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

Accounting for property, plant and equipment
Certified valuations by the DVS (commercial arm of Valuation Office) are provided as part of a five year rolling programme and an annual review for impairment covering all assets. All valuations are prepared in accordance with the respective accounting policy (See Note 1). Depreciation of capital assets is based on their useful economic Life. Any increase or decrease in useful lives will affect the level of depreciation and the carrying value of the assets.

PFI and Similar Arrangements
The Council is deemed to control the services provided in its PFI arrangements and also to control the residual value of the assets at the end of the contract. The accounting policy for PFIs and similar contracts has been applied to these arrangements and the assets are recognised as Property, Plant and Equipment in the Council's Balance Sheet.

In applying this PFI accounting policy, the Council has made the following judgements:

- The operators' models were examined to identify the service element of the unitary charge. Where that charge couldn't be clearly separated the relevant costs were obtained from the models and a margin was applied to the costs to provide an amount for the service costs. The margin used was based on advice received from expert external advisors.
- The service element of the unitary charge is inflated annually by an agreed indicator (e.g. RPI) as per the contract.
- The implicit interest rate (IIR) was calculated by discounting the non-service element

of the unitary charge at a rate that brings it back to the fair value of the asset.
- The fair value of the asset is taken as the construction or refurbishment costs of the scheme.

Accounting for leases
Judgements have been made regarding whether risks and rewards of ownership pass to the lessee under lease arrangements. Where risks and rewards are transferred, leases have been classified as finance leases.

Arrangements Containing a Lease
The Council may enter into an arrangement, comprising a transaction or a series of related transactions, that does not take the legal form of a lease but conveys a right to use an asset (e.g. an item of property, plant or equipment) in return for a payment or series of payments. IFRIC 4 provides guidance for determining whether such arrangements are, or contain, leases that should be accounted for in accordance with IAS 17.
Judgements have been made regarding whether:
- fulfilment of the arrangement is dependent on the use of a specific asset or assets (the asset); and the arrangement conveys a right to use the asset.
- an arrangement conveys the right to use the asset if the arrangement conveys to the purchaser (lessee) the right to control the use of the underlying asset. The right to control the use of the underlying asset is conveyed if any one of the following conditions is met:
    - The purchaser has the ability or right to operate the asset or direct others to operate the asset in a manner it determines while obtaining or controlling more than an insignificant amount of the output or other utility of the asset.
    - The purchaser has the ability or right to control physical access to the underlying asset while obtaining or controlling more than an insignificant amount of the output or other utility of the asset.
    - Facts and circumstances indicate that it is unlikely that one or more parties other than the purchaser will take more than an insignificant amount of the output or other utility that will be produced or generated by the asset during the term of the arrangement, and the price that the purchaser will pay for the output is neither contractually fixed per unit of output nor equal to the current market price per unit of output as of the time of delivery of the output.

The Council is deemed to control assets that fall within contractual and other arrangements which involve the provision of a service using specific underlying assets and which therefore are considered to contain a lease. Arrangements containing a finance lease have been added to the Balance Sheet as assets under Property, Plant and Equipment.

Legal Claims against the Council
In deciding whether to recognise material legal claims against the Council as an item of expenditure in the accounts, the Council has taken a judgement on
- the likelihood of an outflow of resources and
- the degree of certainty surrounding the amount of any outflow.

Where an outflow of resources is unlikely or the amount cannot be measured with sufficient reliability, the Council has judged the material legal claim to be a Contingent Liability and merely disclosed it as a note. Where an outflow of resources is probable and a reliable estimate can be made of the amount of the obligation, the Council has judged the legal claim against the Council to be a provision and recognised this in the accounts.

5. Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £658k for every year that useful lives had to be reduced.
Provisions	The Council has made a provision of £51m for the settlement of claims for back pay arising from the Equal Pay initiative, based on the number of claims received and an average settlement amount. It is not certain that all valid claims have yet been received by the Council or that precedents set by other authorities in the settlement of claims will be applicable.	An increase over the forthcoming year of 10% in either the total number of claims or the estimated average settlement would each has the effect of adding £5.1m to the provision needed.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £80.3m. However, the assumptions interact in complex ways. During 2010-11, the Council actuaries advised that the net pensions liability had decreased by £290m as a result of an increased asset value of £48m, mainly from investment activity and decreased liabilities of £242m mainly due to the 2 year pay freeze for public sector workers and the beneficial impact on liabilities of the change from valuing future liabilities, through CPI inflation rates rather than RPI.

Arrears	Arrears at 31 March 2011, the Council had a debtors receivables balance totalling £12.6m (excluding HASS care debt of £5.3m). A review of significant balances suggested that an impairment of doubtful debts of 40% for debts in the 6-12 month age debt Range and 60% for debts over 12 months was appropriate giving an impairment total value of £552k.	However, although the impairment percentage's are high in the current economic climate it is not certain that such an allowance would be sufficient if collection rates were to deteriorate. Accordingly for every increase of 5% in the impairment of doubtful debts would require an additional £50k to be set aside as an allowance.

This list does not include assets and liabilities that have are carried at fair value based on a recently observed market price.

6. Material items of income and expense

There are no material items of Income or Expenditure other than those that are shown on the face of the CIES.

7. Events after the balance sheet date

The unaudited Statement of Accounts was authorised for issue by the Head of Finance (Section 151 Officer) on 27th June 2011. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31st March 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There have not been any material events that have arisen between the 31st March 2011 and the 27th June 2011 to affect the understanding of the Council's financial position.

8. Adjustments between accounting basis and funding basis under regulations to follow.

2009-10 Comparative Figures	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	School Reserves	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments Involving the Capital Adjustment Account						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation of non current assets	285,364					(285,364)
Capital grant and contributions applied	(77,151)					77151
Revenue Expenditure funded from Capital under Statute	30,964					(30,964)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	3,313					(3,313)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory Provision for the Repayment of debt - (Minimum revenue provision - Scotland Loans fund principal)	(19,128)					19128
Statutory Repayment of Debt (Finance Lease Liabilities)	(1,062)					1062
Statutory Repayment of Debt (PFI)	(4,560)					4560
Other Adjustments						
Adjustments involving the Capital Grants Unapplied Account:						
Revenue grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(753)	753				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	477			477		(954)
Use of capital receipts reserve to finance new capital expenditure			(3,761)			3761
Adjustments involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(546)					546
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 47)	54,007					(54,007)

Employer's pensions contributions and direct payments to pensioners payable in the year	(38,685)					38685
Adjustments involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	1,565					(1,565)
Adjustment involving the Unequal Pay back Pay Adjustment Account:						
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure are different from the cost of settlements chargeable in the year in accordance with statutory requirements	14,000					(14,000)
Adjustment involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1,702					(1,702)
Total Adjustments	**249,507**	**753**	**(3,761)**	**477**	**0**	**(246,976)**

2010-11 Comparative Figures

	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	School Reserves	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000 Note 29
Adjustments Involving the Capital Adjustment Account						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation of non current assets	24,164					(24,164)
Charges impairment of non current assets	52,235					(52,235)
Revenue Expenditure funded from Capital under Statute	51,309					(51,309)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	60,089					(60,089)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory Provision for the repayment of debt - (Minimum revenue provision - Scotland Loans fund principal)	(28,989)					28,989
Adjustments involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(106,097)			106,097		0
Application of grants to capital financing transferred to the Capital Adjustment Account				(96,498)		96,498
Adjustments involving the Capital Receipts Reserve:						
Use of capital receipts reserve to finance new capital expenditure			(8,637)			8,637
Capital Receipts to Comprehensive Income & Expenditure Statement	(6,527)		6,527			
Adjustments involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	1,868					(1,868)
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 47)	(64,407)					64,407
Employer's pensions contributions and direct payments to pensioners payable in the year	(37,305)					37,305
Adjustments involving the Collection Fund Adjustment Account						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(3,377)					3,377
Adjustment involving the Unequal Pay back Pay Adjustment Account:						

Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure are different from the cost of settlements chargeable in the year in accordance with statutory requirements	3,100					(3,100)
Adjustment involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(4,740)					4,740
Total Adjustments	**(58,676)**	**0**	**(2,110)**	**9,599**	**0**	**51,186**

9. Transfers to/from earmarked reserves

	Restated Opening Balance April 2009 £000	Transfers to Reserve £000	Transfers from Reserve £000	Restated Opening Balance April 2010 £000	Transfers to Reserve £000	Transfers from Reserve £000	Closing Balance March 2011 £000
Insurance reserve	6,201	0	(1,202)	4,999		(44)	4,955
PFI reserves	6,566	4,656	(4,429)	6,793	4,559	(1,651)	9,701
Capital reserve	4,125		(4,125)	0	2,700	0	2,700
Learning Disability Care Reserve	0		0	0	715	0	715
Service Carry Forwards (Note 1)	3,739	753	(795)	3,697	3,751	(4,642)	2,806
Firefighters Ill-Health Pension reserve	119	50	0	169	50	0	219
Future Employee Costs	0	20,882	(7,100)	13,782	3,500	(4,316)	12,966
Pen Green Research Centre reserve	724		(136)	588	102	0	690
Other earmarked reserves	1,236	523	(1,234)	525	676	(123)	1,078
Earmarked Reserves	**22,710**	**26,864**	**(19,021)**	**30,553**	**16,053**	**(10,776)**	**35,830**

Note 1
The April 2009 Service Carry Forwards figure includes a restatement of £2.15m as a result of changes to the classification of non ring fenced grants carried forward at the end of 2008-09.

Schools Reserves (specific to schools)

	Restated Opening Balance April 2009 £000	Transfers to Reserve £000	Transfers from Reserve £000	Restated Opening Balance April 2010 £000	Transfers to Reserve £000	Transfers from Reserve £000	Closing Balance March 2011 £000
Dedicated Schools Grant	3,631	4,517	(224)	7,924	1,144	(5,925)	3,143
Schools Future Employee Costs Reserve	0	3,500	0	3,500	5,042	0	8,542
Schools Balances reserves	44,669	49,756	(44,669)	49,756	45,326	(49,756)	45,326
Schools Loan Advances	(2,391)	1,112	(1,499)	(2,778)	1,003	(325)	(2,100)
School Reserves Total	**45,909**	**58,885**	**(46,392)**	**58,402**	**52,515**	**(56,006)**	**54,911**

10. Other operating expenditure

2009-10 £000		2010-11 £000
0	Parish council precepts	0
583	Levies	582
3,313	Gains/losses on the disposal of non current assets	396
3,896	Total	978

11. Financing and investment income and expenditure

2009-10 £000		2010-11 £000
30,281	Interest payable and similar charges	31,419
29,298	Pensions interest cost and expected return on pensions assets	24,280
(3,503)	Interest receivable and similar income	(4,439)
0	Other investment income	873
56,076	**Total**	52,133

12. Taxation and non specific grant incomes

2009-10 £000		2010-11 £000
(228,225)	Council tax income	(241,279)
(120,928)	Non domestic rates	(134,574)
(57,947)	Non-ringfenced government grants	(58,993)
(59,522)	Capital grants and contributions	(60,618)
(466,622)	**Total**	**(495,464)**

13. Property, Plant and Equipment

Movements on Balances 2009-10

	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	Included in Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
At 1 April 2009	1,074,424	48,060	353,971	909	40,353	95,036	1,612,753	409,860
Additions	25,253	8,298	23,350	0	0	50,945	107,846	0
Donations	0	0	0	0	0	0	0	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	20,533	0	0	0	6,579	0	27,112	0
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0
Derecognition - Disposals	(2,046)	(521)	0	0	(9,755)	0	(12,322)	0
Derecognitions - Other	0	0	0	0	0	0	0	0
Assets reclassified (to)/from Held for Sale	4,385	8,407	42,765	0	6,843	(60,118)	2,282	0
Other Movements in Cost or Valuation	0	0	0	0	0	(1,096)	(1,096)	0
At 31 March 2010	**1,122,549**	**64,244**	**420,086**	**909**	**44,020**	**84,767**	**1,736,575**	**409,860**
Accumulated Depreciation and Impairment								
At 1 April 2009	(22,437)	(27,641)	(71,494)	(3)	(2,050)	0	(123,625)	0
Depreciation Charge	(21,450)	(5,851)	(8,849)	(3)	(9,040)	0	(45,193)	(7,672)
Depreciation written out to the Revaluation Reserve	28,782	0	0	0	0	0	28,782	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0
Impairment losses/ (reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(222,514)	0	0	0	0	(17,071)	(239,585)	(98,123)
Derecognition - Disposals	269	361	0	0	1,313	0	1,943	0
Derecognition - Other	0	0	0	0	0	0	0	0
Other movements in Depreciation and Impairment	160	0	0	0	(456)	0	(296)	0
At 31 March 2010	**(237,190)**	**(33,131)**	**(80,343)**	**(6)**	**(10,233)**	**(17,071)**	**(377,974)**	**(105,795)**
Net Book Value								
At 31 March 2010	**885,359**	**31,113**	**339,743**	**903**	**33,787**	**67,696**	**1,358,601**	**304,065**
At 31 March 2009	**1,051,987**	**20,419**	**282,477**	**906**	**38,303**	**95,036**	**1,489,128**	**409,860**

Movements on Balances 2010-11

	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000	PFI Assets Included in Property, Plant and Equipment £000
Cost or Valuation								
At 1 April 2010	1,122,549	64,244	420,086	909	44,020	67,696	1,719,504	409,860
Additions	23,862	14,451	25,811	74	4	55,000	119,202	4,446
Donations	0	0	0	0	0	0	0	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	7,226	0	0	0	9,611	0	16,837	4
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(355)	0	0	0	(1,656)	0	(2,011)	0
Derecognition - Disposals	(72,715)	(3,628)	0	0	(3,971)	0	(80,314)	0
Derecognitions - Other	(7,976)	(1,022)	0	0	(3,015)	0	(12,013)	0
Assets reclassified (to)/from Held for Sale	(1,740)	0	0	0	(8,650)	0	(10,390)	0
Other Movements in Cost or Valuation	(4,678)	0	0	707	4,239	(18,981)	(18,713)	8
At 31 March 2011	**1,066,173**	**74,045**	**445,897**	**1,690**	**40,582**	**103,715**	**1,732,102**	**414,318**
Accumulated Depreciation and Impairment								
At 1 April 2010	(237,190)	(33,131)	(80,343)	(6)	(10,233)	0	(360,903)	(105,795)
Depreciation Charge	288	(11,487)	(10,483)	(1)	71	0	(21,612)	(800)
Depreciation written out to the Revaluation Reserve	930	0	0	0	514	0	1,444	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	2,212	0	0	0	0	0	2,212	0
Impairment losses/ (reversals) recognised in the Revaluation Reserve	(4,668)	0	0	0	2,749	0	(1,919)	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	7,025	0	0	0	(5,037)	(24,769)	(22,781)	0
Derecognition - Disposals	6,231	4,368	0	0	6,291	0	16,890	0
Derecognition - Other	132	1,022	0	0	0	0	1,154	0
Other movements in Depreciation and Impairment	4,569	0	0	0	(1,712)	0	2,857	0
At 31 March 2011	**(220,471)**	**(39,228)**	**(90,826)**	**(7)**	**(7,357)**	**(24,769)**	**(382,658)**	**(106,595)**
Net Book Value								
At 31 March 2011	**845,702**	**34,817**	**355,071**	**1,683**	**33,225**	**78,946**	**1,349,444**	**307,723**
At 31 March 2010	**885,359**	**31,113**	**339,743**	**903**	**33,787**	**67,696**	**1,358,601**	**304,065**

14. Commitments under capital contracts

The Council allocates and controls its available resources for capital expenditure via an ongoing capital programme. Total value of capital expenditure programmes to be completed in 2011/12 and later is £300m.
Three schemes entered into during 2010-11 and earlier, where significant payments remain to be made, are identified below along with its purpose, approximate value and the period over which the investment will take place.

Project/Scheme Name	Main Contractor	Purpose	Expected Completion	Approximate Value £'000
Maplefields/Orchard School	Graham Construction	New Build Special School	2011-12	£15,500
Kettering Science Academy	Wilmot Dixon Construction	New Build Academy	2012-13	£24,514
Kettering Buccleugh Academy	Wilmot Dixon Construction	New Build Academy	2012-13	£24,246

15. Investment properties

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

2009-10 £000		2010-11 £000
6,163	Balance at start of the year	**20,867**
	Additions:	
0	Purchases	0
0	Construction	0
0	Subsequent Expenditure	0
(14)	Disposals	(309)
14,718	Net gains/(losses) from fair value adjustments	(15,128)
	Transfers:	
0	To/from Inventories	924
0	To/from Property, Plant and Equipment	(314)
0	Other changes	93
20,867	Balance at end of the year	**6,133**

16. Property valuation

The following statement shows the progress of the Council's rolling programme for the revaluation of fixed assets. The valuations were carried out by strategic property partners DVS the Commercial Arm of the Valuation Office Agency. The basis for valuation is set out in the statement of accounting policies.
The first of a new five year rolling programme of valuations was completed in March 2011. The properties were valued in accordance with CIPFA recommendations.

	Valued at Historical Cost	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Property, Plant and Equipment								
Land & Buildings	0	2,494	87,839	54,889	63,042	600,430	37,008	845,702
PVEQ	34,817	0	0	0	0	0		34,817
Infrastructure	355,071	0	0	0	0	0		355,071
Community	1,683	0	0	0	0	0		1,683
Surplus Assets	NEW	0	14	0	0	530	32,681	33,225
Assets Under Construction	78,946	0	0	0	0	0		78,946
	470,517	2,494	87,853	54,889	63,042	600,960	69,689	1,349,444
Investment Properties	0	0	0	0	0	0	19,960	19,960
Assets Held for Sale	0	20	0	0	0	2,370	4,140	6,530
	0	20	0	0	0	2,370	24,100	26,490
Total	470,517	2,514	87,853	54,889	63,042	603,330	93,789	1,375,934

Since the year end valuation the Council is not aware of any material change in value and therefore the valuations have not been updated.

17. Details of assets owned by the Council

2009-10 Number	Property, Plant and Equipment	2010-11 Number
268	Schools	253
41	Elderly Persons Home	35
36	Children's Centres	46
31	County Offices	32
12	Farm and Smallholdings	12
27	Libraries	25
23	Day Centres	23
22	Fire Stations	22
13	Recycling Centres	13
8	Children's Home	7
6	Country Parks	6
4	Highways Depots	4
2	Historical Documents	2
2	Gypsy Sites	2
495		482
	Investment Property	
1	Schools	1
2	Day Centres	0
1	Flats	1
3	County Offices	3
15	Farm and Smallholdings	16
22		21
	Assets held for Sale	
3	Schools	4
1	Elderly Persons Home	3
	Day Centres	1
4	Farm and Smallholdings	0
1	Gypsy Sites	0
1	Offices	0
10		8
527	**Total**	**511**
	Infrastructure Assets	
4146 km	County Roads	4146 km

18. Intangible Assets

Purchased Software Licences

The Total Gross value of Purchased Software Licences of £14,939k is made up of £7,433k expenditure on Enterprise Resource Planning Software, £4,100k for Customer Service Centre, £418k on Oracle E Business Suite and £2,988k on other Software licences across the Council. All software licences will be written off over 3 financial years, with the exception of the E Business Suite that will be written off over 10 years.

Licences, Trademarks and Artistic Originals

Expenditure in 2008-9 of £1,515k relates to the intellectual property rights accumulating from the "Excellence for our Customers" project. This project is critical to securing the full operational benefits of the software licences and ICT platforms which will form part of the Council's new shared services function with Cambridgeshire County Council. This asset is to be written off over 10 years

It is the policy not to amortise or depreciate in the year of acquisition or the year in which the asset becomes operational therefore amortisation will begin in 2011-12 for 2010-11 purchased software licences.

2009-10				2010-11		
Internally Generated Assets	**Other Assets**	**Total**		**Internally Generated Assets**	**Other Assets**	**Total**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
			Balance at start of year:			
0	13,840	13,840	Gross carrying amounts		14,939	14,939
0	0	0	Accumulated Amortisation		(4,162)	(4,162)
0	13,840	13,840	Net carrying amount at start of year	0	10,777	10,777
0	1,096	1,096	Transfer from AUC		1,519	1,519
0	3	3	Other Additions			0
0	(4,162)	(4,162)	Amortisation for the period		(4,529)	(4,529)
0	**10,777**	**10,777**	Net carrying amount at end of year	**0**	**7,767**	**7,767**
			Comprising:			
0	14,939	14,939	Gross carrying amounts		16,458	16,458
0	(4,162)	(4,162)	Accumulated Amortisation		(8,691)	(8,691)
0	**10,777**	**10,777**		**0**	**7,767**	**7,767**

19. Financial instruments

Types of Financial Instruments
Accounting regulations require the “financial instruments” (investment, lending and borrowing of the Council) shown on the balance sheet to be further analysed into defined categories. The investments, lending and borrowing disclosed in the balance sheet are made up of the following categories of “financial instruments”.

Table 1 – Financial Instrument Balances

	Long-Term		Current		Total	
	31 March 2010	**31 March 2011**	**31 March 2010**	**31 March 2011**	**31 March 2010**	**31 March 2011**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Borrowings						
Financial liabilities at amortised cost	351,389	358,191	288,277	288,627	639,666	646,818
Leases	1,304	1,973	941	916	2,246	2,889
PPP/PFI	169,432	163,981	5,186	5,452	174,618	169,431
Total borrowings	**522,125**	**524,145**	**294,404**	**294,995**	**816,530**	**819,138**
Investments						
Loans and receivables	1,984	13,237	236,187	210,657	238,172	223,894
Available-for-sale financial assets	0	0	28,760	32,268	28,760	32,268
Total investments	**1,984**	**13,237**	**264,948**	**242,924**	**266,932**	**256,162**

Notes.
1. LOBOs of £95m have been included in long term borrowing but have a call date in the next 12 months.

The above long term figures are based on paragraph B9 of SORP 2008 Guidance Notes which states that in undertaking Effective Interest Rate calculations the maturity period for a LOBO should usually be taken as being the contractual period to maturity unless there is a specific identifiable reason to determine otherwise.

Gains and Losses on Financial Instruments

The gains and losses recognised in the Income and Expenditure Account and Movement in Reserves Statement in relation to financial instruments are made up as follows:

Table 2 – Financial Instruments Gains/Losses

	Financial Liabilities	Financial Assets		Total
	Carrying value Liabilities measured at amortised cost	Loans and receivables	Available for Sale Assets	2010-11
	£000	£000	£000	£000
Interest expense	(16,906)			(16,906)
Losses on derecognition			(23)	(23)
PFI/PPP	(14,514)			(14,514)
Interest payable and similar charges	**(31,420)**	**0**	**(23)**	**(31,443)**
Interest income		4,439	394	4,833
Gains on derecognition	0	0	25	25
Interest and investment income	**0**	**4,439**	**419**	**4,858**
Net gain/(loss) for the year	**(31,420)**	**4,439**	**396**	**(26,585)**
Amounts recognised in the I&E to write off premiums and discounts in 2009-10	0	0	0	0
Net gain/(loss) for the year	**(31,420)**	**4,439**	**396**	**(26,585)**

Fair Value of Assets and Liabilities carried at Amortised Cost

The fair value of each class of financial assets and liabilities which are carried in the balance sheet at amortised cost is disclosed below.

Methods and Assumptions in valuation technique

The fair value of an instrument is determined by calculating the Net Present Value of future cash flows, which provides an estimate of the value of payments in the future in today's terms.
The discount rate used in the NPV calculation is the rate applicable in the market on the date of valuation for an instrument with the same structure, terms and remaining duration. For debt, this will be the new borrowing rate since premature repayment rates include a margin which represents the lender's profit as a result of rescheduling the loan; this is not included in the fair value calculation since any motivation other than securing a fair price should be ignored.

The rates quoted in this valuation were obtained by our treasury management consultants from the market on 31st March, using bid prices where applicable.
The calculations are made with the following assumptions:

- For PWLB debt, the discount rate used is the rate for new borrowing as per rate sheet number 063/10.
- For other market debt and investments the discount rate used is the rate available for an instrument with the same terms from a comparable lender.

- We have used interpolation techniques between available rates where the exact maturity period was not available.
- No early repayment or impairment is recognised.
- We have calculated fair values for all instruments in the portfolio, but only disclose those which are materially different from the carrying value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values are calculated as follows:

Table 3 – Fair Value of Liabilities Carried at Amortised Cost
Fair value is more than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the rates available for similar loans at the Balance Sheet date. The commitment to pay interest below current market rates reduces the amount that the Council would have to pay if the lender requested or agreed to early repayment of the loans.

	31 March 2010		31 March 2011		31 March 2011	
	Carrying amount	Fair value	Carrying amount due within 12 months	Long term borrowing	Total Carrying amount	Fair value
	£000	£000	£000	£000	£000	£000
PWLB - maturity	82,327	199,774	5,098	302,007	307,105	275,442
PWLB - EIP	0	2	1	0	1	1
LOBOs	1,185	150,000	95,958	55,228	151,186	160,055
Market borrowing	66,943	5,000	73,060	0	73,060	73,005
Financial liabilities	150,455	354,776	**174,117**	**357,235**	**531,352**	**508,504**

Table 4 – Fair Value of Assets Carried at Amortised Cost

	31 March 2010		31 March 2011	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Cash total	13,452	13,452	24,005	24,005
Total deposits with banks and building societies	161,546	161,779	129,305	129,420
Callable deposits	0	0	0	0
Snowballs	0	0	0	0
Other	0	0	7,000	6,878
Financial assets	**174,998**	**175,231**	**160,310**	**160,303**

The fair value is higher than the carrying amount because the Councils portfolio of investments includes a number of fixed rate loans where the interest rate receivable is lower than the rates available for similar loans at the Balance Sheet date.

Other – this relates to a loan to Silverstone of £7m, with a fair value of £6.878m.

Nature and Extent of Risks Arising from Financial Instruments

The Council's management of treasury risks actively works to minimise the Council's exposure to the effects of the unpredictability of financial markets and to protect the financial resources available to fund services. Risk management is carried out by a central treasury management team under policies approved by the Council in the annual treasury management strategy report. The Council has fully adopted and implemented the CIPFA Code of Practice on Treasury Management. In particular, it has set up twelve treasury management practices covering all areas of treasury management. These specify in detail the policies of the Council, the procedures on how these policies are to be put into effect and who is responsible for all aspects of treasury management. These policies cover such areas as credit risk, liquidity risk and market risk. The Treasury Management Team have also fully implemented the national investment guidance *(English authorities)* of the ODPM issued on 12 March 2004.

There has been no change in the risk profile for Credit, Market or Liquidity risk to the Council in the financial year 2010-11.

Credit Risk
Credit Risk is the possibility that other parties may not pay amounts due to the Council. This risk arises from the short term lending of surplus funds to banks, building societies and other local authorities as well as credit exposures to the Council's customers.

It is the policy of the Council to place deposits only with a limited number of high quality banks and building societies whose credit rating is independently assessed as sufficiently secure by the Council's treasury advisers and to restrict lending to a prudent maximum amount for each institution. The Council also has a policy of limiting deposits with institutions to a maximum of £20m and a limit on the maximum size of one transaction in placing a deposit of £20m**.**
The following analysis summarises the Council's potential maximum exposure to credit risk, based on past experience and current market conditions. No credit limits were exceeded during the financial year and the Council expects full repayment on the due date of deposits placed with its counterparties.

Table 5 – Credit Risk (A)

	Amounts at 31 March 2011	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2011	Estimated maximum exposure to default and uncollectability	Estimated maximum exposure at 31 March 2011
	£000	%	%	£000	£000
	A	B	C	(A x C)	
Deposits with banks and other financial institutions excl. Icelandic banks	192,492	-	-	-	-
Total	**192,492**	**-**	**-**	**-**	**-**

Table 6 – Credit Risk (B)
Maturity analysis of sums exposed to credit risk

	Investments 31 March 2011 £000
Less than three months	139,898
Three to six months	28,467
Six months to one year	17,249
More than one year	6,878
Total	**192,492**

- **Liquidity Risk**

The Council has access to a facility to borrow from the Public Works Loans Board. As a result there is no significant risk that the Council will be unable to raise finance to meets its commitments under financial instruments. The Council has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future to reduce the financial impact of re-borrowing at a time of unfavourable interest rates. The Council's policy is to ensure that not more than 70% of loans are due to mature within any financial year.

The maturity structure of financial liabilities is as follows:

Table 7 – Liquidity Risk

Loans outstanding	**31 March 2010**	**31 March 2011**
	£000	**£000**
Public Works Loans Board	282,103	307,106
PPP/PFI	174,618	169,431
Market debt / LOBOs	151,185	151,186
Temporary borrowing	71,943	73,060
Total	**679,849**	**700,783**
Less than 1 year	159,027	76,870
Between 1 and 2 years	28,913	0
Between 2 and 5 years	30,000	62,712
Between 5 and 10 years	59,895	55,219
More than 10 years	402,014	505,983
Total	**679,849**	**700,783**

In the more than 10 years category there are £95m of LOBOs which have a call date in the next 12 months.

- **Market Risks**

Interest rate risk
The Council is exposed to interest rate risk in two different ways; the first being the uncertainty of interest paid/received on variable rate instruments, and the second being the affect of fluctuations in interest rates on the fair value of an instrument.

The current interest rate risk for the authority is summarised below:

- Decreases in interest rates will affect interest earned on variable rate investments, potentially reducing income credited to the Comprehensive Income and Expenditure Statement.
- Increases in interest rates will affect interest paid on variable rate borrowings, potentially increasing interest expense charged to the Comprehensive Income and Expenditure Statement.
- The fair value of fixed rate financial assets will fall if interest rates rise. This will not have an impact on the Balance Sheet for the majority of assets held at amortised cost, but will impact on the disclosure note for fair value. It would have a negative effect on the Balance Sheet for those assets held at fair value in the Balance Sheet, which would also be reflected in the Movement in Reserves Statement.
- The fair value of fixed rate financial liabilities will rise if interest rates fall. This will not impact on the Balance Sheet for the majority of liabilities held at amortised cost, but will impact on the disclosure note for fair value.

The Council has a number of strategies for managing interest rate risk. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of Government grant payable on financing costs will normally move with prevailing interest rates or the authority's cost of borrowing and provides compensation for a proportion of any higher costs.

The Treasury Management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget on a quarterly basis during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

According to this assessment strategy, at 31 March 2011**,** if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

Table 8 – Interest Rate Risk

	£000
Increase in interest payable on variable rate borrowings	950
Increase in interest receivable on variable rate investments	0
Impact on Income and Expenditure Account	**950**
Decrease in fair value of 'available for sale' investment assets	0
Impact on CIES	**0**
Decrease in fair value of fixed rate borrowing liabilities (no impact on CIES)	(62,083)
Decrease in fair value of fixed rate investment assets (no impact on CIES)	(62)

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

- **Price Risk**

£32.3m of investments are classified as "available for sale", meaning that all movements in price will impact on the gain and losses recognised in the Movement in Reserves Statement.

This is a prescribed presentational requirement that has no impact on the taxpayer.

- **Foreign Exchange Risk**

The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

20. Inventories

2009-10 £000		2010-11 £000
297	Fire Brigade Stocks	323
20	Library Publications	41
85	Nordis Raw Materials and WIP	0
65	Country Park Shops	60
104	Archaeology Stock and WIP	94
5	Various Food Stocks	0
30	Highways Salt	129
0	Rehabilitation and Equipment	59
0	Wheelchair	264
606		969

21. Landfill Allowance Trading Scheme (LATS) Investments

The Council has received landfill allowances for the year of 130,610 tonnes. The estimated landfill usage is 124,841 tonnes leaving a remaining balance of 5,769. Any permits for 2009-10 cannot be carried forward for future use or sale. DEFRA advised that the average weighted value for 2010-11 is £12.50. However, as the Council has no agreements in place to sell their remaining allowances to be prudent the allowances have been valued at a net realisable value of £nil.

22. Short-Term Debtors

1 April 2009 £000	31 March 2010 £000		31 March 2011 £000
6,165	8,973	Central Government Bodies	13,385
14,723	16,044	Council Tax Debtors	15,879
5,037	7,551	Payments in Advance	7,530
29,849	32,950	Other Short-Term Debtors	28,047
55,774	**65,518**	Gross Value	**64,841**
		Bad Debt Provision:	
(4,390)	(4,058)	Sundry	(3,895)
(6,325)	(9,565)	Council Tax	(9,069)
45,059	**51,895**	Net Carrying Value	**51,876**

23. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

April 2009 £000	March 2010 £000		March 2011 £000
3,166	3,789	Cash held by Authority	8,820
(14,072)	(1,067)	Bank Current Accounts	(4,483)
(10,906)	**2,722**	Total Cash & Cash Equivalents	**4,337**

24. Assets Held for Sale

	Current		Non Current	
	2010-11	2009-10	2010-11	2009-10
	£000	£000	£000	£000
Balance at start of the year	**7,238**	**11,791**	**0**	**0**
Assets newly classified as held for sale:				
Property, Plant and Equipment	2,006	0	0	0
Intangible Assets	0	0	0	0
Other assets/liabilities in disposal groups	8,650	0	0	0
Revaluation Losses	(3,564)	0	0	0
Revaluation Gains	275	0	0	0
Impairment Losses	(5,010)	0	0	0
Assets declassified as held for Sale:				
Property, Plant and Equipment	0	(4,553)	0	0
Intangible Assets	0	0	0	0
Other assets/liabilities in disposal groups	(880)	0	0	0
Assets sold	(2,198)	0	0	0
Transfers from non current to current	0	0	0	0
(Other movements)	13	0	0	0
Balance at end of the year	**6,530**	**7,238**	**0**	**0**

25. Short-Term Creditors

1 April 2009	31 March 2010		31 March 2011
£000	£000		£000
(7,391)	(27,257)	Central Government Bodies	(41,517)
(4,926)	(4,099)	Council Tax Creditors	(1,764)
(3,213)	(3,945)	Other Local Authorities	(3,234)
(39,527)	(19,861)	Receipts in Advance	(18,691)
(77,527)	(75,716)	Other Creditors	(64,468)
(132,584)	**(130,878)**		**(129,674)**

26. Provisions

Provisions (< 1 yr)	Pay and Benefits Provision £000	Insurance Provision £000	Redundancy Provision £000	Other Provisions £000	Total £000
Balance at 1 April 2010	0	(1,722)	0	(791)	(2,513)
Additional Provisions made in 2010-11	0	(361)	(4,842)	(74)	(5,277)
Unused amounts reversed in 2010-11	0	0	0	85	85
Balance at 31 March 2011	0	(2,083)	(4,842)	(780)	(7,704)

Provisions (> 1 yr)	Pay and Benefits Provision £000	Insurance Provision £000	Redundancy Provision £000	Other Provisions £000	Total £000
Balance at 1 April 2010	(53,900)	(3,624)	0	(844)	(58,368)
Additional Provisions made in 2010-11	(4,900)	(622)	(2,182)	0	(7,705)
Unused amounts reversed in 2010-11	1,800	0	0	133	1,933
Balance at 31 March 2011	(57,000)	(4,247)	(2,182)	(711)	(64,140)

Insurance Provision

The Insurance Provision is held to fund the payment of known estimated future insurance liabilities (public liability, employer's liability and property) i.e. estimates against current open insurance claims.
Once a claim has been made, it can take three years for it to go through the court process. In addition to this, if the claim is of a medical nature, it can take many years to settle depending on the injury/illness concerned.
The balance held in the provision is based on estimates of liability of known claims provided by the Fund's appointed professional advisors (Marsh Ltd) and property specialists. This therefore represents the liability that NCC will be required to pay impacting in future years.

Pay and Benefits

This provision reflects the council's latest assessment of potential pay liabilities arising from implementation of the council's new Pay and Benefits package on the 1st April 2011.
For schools based staff, the Schools Forum has agreed that part of the schools Pay and Benefits costs will be funded from the accumulated surplus on Dedicated Schools Grant.
The provision is made in accordance with proper accounting practice and doesn't reflect the extent of the council's liability, as it is unable at this stage to measure the degree of likelihood, if indeed any, of any potential liability.

Redundancy Provision

The Council's budget for 2011/12 was agreed on 23 February 2011. This identified an overall savings requirement of £73 million, of which a potential £11.8 million was identified as having a direct impact on the workforce and posts. A Redundancy Provision of £7.024m was created to fund the potential redundancy costs arising from the proposed people related savings. Formal consultation notices were issued to the Council's recognised trade unions in December 2010 and January 2011, which have been used to form the basis of the provision calculation, with redundancy costs of £4.842m expected to be incurred in 2011-12 and associated pension strain costs of £2.182m expected to be spread over 2012-13 to 2014-15. The full costs will not be available until all the proposals that were agreed as part of the consultation are fully implemented

and the actual numbers of redundancies are identified. This is expected to be completed in August 2011.
Accordingly, this provision has been made in accordance with proper accounting practice, but may not reflect the full extent of the Council's liability, as a result of the ongoing implementation of the proposals.

Other Provisions
All other provisions are individually insignificant

27. Insurance Account

The Council is insured against risks through a combination of self insurance and insurance with other organisations. There is a total insurance fund of £11.28 million to meet the estimated claims under the excess clauses of the Council's insurance policies. Settlement of claims is likely to be spread over a number of years. The fund is made up of both a provision and reserve. The element of the fund relating to provisions represents obligations as at 31 March as a result of past claims and events where a reliable estimate can be made of the obligation. The reserve element is held in respect of projected obligations, based upon an actuarial assessment of future liabilities against risk histories and profiles. Annual policy excesses are as follows:

Combined Liability (Public & Employers)	**£000**
Individual excess (per claim)	100
Annual aggregate (total excess for year across all claims)	4,500
Property	
Individual excess educational properties	250
Individual excess other properties	150
Annual aggregate	850

The Council charges premiums, claims paid and management costs to the insurance account and then recharges these cost to services. The Council's insurance brokers estimate the value of any outstanding claims and the Insurance Provision is adjusted accordingly. Details of Spending and Income are as follows:

2009-10 £000		**2010-11 £000**
	Spending	
1,919	Premiums paid	1,895
503	Management costs	584
1,600	Claims paid	1,869
499	Adjustment to provision	983
4,521		5,331
	Income	
(282)	Received from insurers/third parties	(45)
630	Write off of debtor	0
(4,860)	Charges to services	(5,084)
(4,512)		(5,129)
9	Net deficit	202

The £202k deficit is the result of imbalance between school's budgeted insurance costs and actual insurance costs, a review of charges to schools is ongoing.

28. Usable reserves

Movements in Authority's usable reserves are detailed in the Movement in Reserves Statement, notes 8 and 9.

29. Unusable reserves

Summary

2009-10 £000		Note	2010-11 £000
51,495	Revaluation Reserve	a	55,790
431	Available for Sale Financial Instruments Reserve	b	453
610,084	Capital Adjustment Account	c	559,646
7,606	Financial Instruments Adjustment Account	d	5,738
(718,840)	Pensions Reserve	e	(415,268)
(1,565)	Collection Fund Adjustment Account	f	1,812
(27,950)	Unequal Pay Back Pay Account	g	(31,050)
(20,061)	Accumulated Absences Account	h	(15,321)
(98,800)	**Total Unusable Reserves**		**161,800**

29a Revaluation Reserve

2009-10 £000			2010-11 £000
(15,488)	**Balance at 1 April**		51,495
71,534	Upward revaluation of assets	21,706	
0	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(14,174)	
56,046	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the provision of Services		7,532
(1,427)	Difference between fair value depreciation and historical cost depreciation	(258)	
(3,124)	Accumulated gains on assets sold or scrapped	(2,979)	
(4,551)	Amount written off to the Capital Adjustment Account		(3,237)
51,495	**Balance at 31 March**		**55,790**

29b Available for Sale Financial Instruments Reserve

2009-10 £000		2010-11 £000
489	**Balance at 1 April**	432
	Upward revaluation of investments	22
(57)	Downward revaluation of investments not charged to the surplus/deficit on the Provision of Services	
432	**Balance at 31 March**	**453**

29c Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of these assets under statutory provision. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical

cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 8 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2009-10 £000			2010-11 £000
732,572	**Balance at 1 April**		610,084
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(4,449)	Amortisation of deferred charge for Single Status	0	
(39,251)	Charges for depreciation and impairment of non current assets	(19,636)	
(157,365)	Revaluation losses on Property, Plant and Equipment	(52,235)	
0	Amortisation of intangible assets	(4,528)	
(26,344)	Revenue expenditure funded from capital under statute	(51,309)	
(10,394)	Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement.	(60,089)	
494,769			(187,798)
3,124	Adjusting amounts written out of the Revaluation Reserve		3,237
497,893	Net written out amount of the cost of non current assets consumed in the year		(184,562)
	Capital financing applied in the year:		
10,870	Use of the Capital Receipts Reserve to finance new capital expenditure	8,637	
0	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	0	
76,213	Application of grants to capital financing from the Capital Grants Unapplied Account	96,498	
25,108	Statutory provision for the financing of capital investment charged against the General Fund balances	28,989	
610,084			134,124
0	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		0
0	Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement		0
610,084	**Balance at 31 March**		**559,646**

29d Financial Instruments Adjustment Account

2009-10 £000		2010-11 £000
7,060	Balance at 1 April	7,606
546	Amount by which finance costs charged to Comprehensive Income and Expenditure Statement are different from costs chargeable in the year in accordance with statutory requirements	(1,868)
7,606	**Balance at 31 March**	**5,738**

29e Pension Reserve

2009-10 £000			2010-11 £000
(399,936)	Balance at 1 April		(718,840)
(303,582)	Actuarial gains or losses on pensions assets and liabilities	201,860	
(54,007)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	64,407	
38,685	Employer's pensions contributions and direct payments to pensioners payable in the year	37,305	303,572
(718,840)	**Balance at 31 March**		**(415,268)**

29f Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2009-10 £000		2010-11 £000
259	**Balance at 1 April**	(1,565)
(1,824)	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	3,377
(1,565)	**Balance at 31 March**	1,812

29g Unequal Pay Back Pay Account

The Unequal Pay Back Pay Account compensates for the differences between the rate at which the Council provides for the potential costs of back pay settlements in relation to Equal Pay cases and the ability under statutory provisions to defer the impact on the General Fund Balance until such time as cash might be paid out to claimants.

2009-10 £000			2010-11 £000
(18,400)	**Balance at 1 April**		(27,950)
(9,550)	Increase in provision for back pay in relation to Equal Pay cases	(3,100)	
(9,550)	Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different on from the cost of settlements chargeable in the year in accordance with statutory requirements		(3,100)
(27,950)	Balance at 31 March		(31,050)

29h Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2009-10 £000			2010-11 £000
(18,359)	Balance at 1 April		(20,061)
18,359	Settlement or cancellation of accrual made at the end of the preceding year	20,061	
(20,061)	Amounts accrued at the end of the current year	(15,321)	
(1,702)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		4,740
(20,061)	Balance at 31 March		**(15,321)**

30a. Cash flow statement - operating activities

The cash flow for operating activities include the following items:

2009-10 £000		2010-11 £000
(2,629)	Interest received	(4,440)
30,281	Interest paid	31,419

30b. Cash flow statement - investing activities

2009-10 £000		2010-11 £000
101,239	Purchase of property, plant and equipment, investment property and intangible assets	119,202
2,100	Other payments for investing activities	874
(7,109)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(6,187)
(103,650)	Other receipts from investing activities	(106,097)
(7,420)	**Net cash flows from investing activities**	7,792

30c. Cash flow statement - financing activities

2009-10 £000		2010-11 £000
(442,969)	Cash receipts of short and long-term borrowing	(1,606,347)
426,981	Repayments of short and long term borrowing	1,567,684
(15,988)	**Net cash flows from financing activities**	(38,663)

31. Amounts reported for resource allocation decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Council’s Cabinet on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits
- expenditure on support services is budgeted for centrally and not charged to directorates.

The income and expenditure of the Council's principal directorates recorded in the budget reports for the year is as follows

Directorate Income and Expenditure 2009-10

Information as per Outturn Budget 2009-10

Services	Children and Young People	Health & Adult Social	Chief Executive	Environment Growth & Commissioning	Finance & Commercial Management	Policy and Partnerships	SBA	Capital Financing & Other	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(59,317)	(41,218)	(1,556)	(23,257)	(2,228)	(11,157)	(5)		**(138,738)**
Government grants	(509,101)	(20,063)	(4)	(17)	(71)	(2,913)	0		**(532,169)**
Total Income	**(568,418)**	**(61,281)**	**(1,560)**	**(23,274)**	**(2,299)**	**(14,070)**	**(5)**		**(670,907)**
Employee expenses	446,208	45,206	28,700	12,771	8,196	19,571	2,237		**562,889**
Other Service Expenses	217,696	162,152	1,674	80,636	(4,925)	8,666	611	28,371	**494,881**
Late PFI Adjustments								18,409	**18,409**
Late Adjustments to Pay and Benefits								12,136	**12,136**
Total Expenditure	**663,904**	**207,358**	**30,374**	**93,407**	**3,271**	**28,237**	**2,848**	**58,916**	**1,088,315**
Net Expenditure	**95,486**	**146,077**	**28,814**	**70,133**	**972**	**14,167**	**2,843**	**58,916**	**417,408**

Directorate Income and Expenditure 2010-11

Information as per Outturn Budget 2010-11

Services	Children and Young People	Health & Adult Social	Chief Executive	Environment Growth & Commissioning	Finance & Commercial Management	Policy and Partnerships	SBA	Capital Financing & Other	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(96,557)	(63,247)	(4,104)	(32,300)	(2,206)	(7,440)	(7)		**(205,861)**
Government grants	(544,322)	(4,754)	(37)	0	0	(9,182)	0		**(558,295)**
Total Income	**(640,879)**	**(68,001)**	**(4,141)**	**(32,300)**	**(2,206)**	**(16,622)**	**(7)**		**(764,156)**
Employee expenses	455,798	44,621	28,065	14,194	7,561	18,935	2,046		**571,220**
Other Service Expenses	307,571	195,928	13,254	112,428	721	28,284	394	44,143	**702,723**
Support Service Recharges			(10,415)	(36,713)	(6,007)	(21,232)	(2,487)	0	**(76,854)**
Total Expenditure	**763,369**	**240,549**	**30,904**	**89,909**	**2,275**	**25,987**	**(47)**	**44,143**	**1,197,089**
Net Expenditure	**122,490**	**172,548**	**26,763**	**57,609**	**69**	**9,365**	**(54)**	**44,143**	**432,933**

This reconciliation shows how the figures in the analysis of Directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

2009-10 £000		2010-11 £000
417,408	Net Expenditure in the Directorate Analysis	432,933
0	Net Expenditure of services and support services not included in the Analysis	0
285,570	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	(54,131)
(65,612)	Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	3,236
637,366	Cost of Services in Comprehensive Income and Expenditure Statement	**382,038**

The reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure.

2009-10 Net Cost of Services in Comprehensive Income and Expenditure Statement

Reconciliation to Subjective Analysis	Directorate Analysis	Services not in analysis	Not reported to management	Amounts not included in I & E	Allocation of Recharges to Services	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(670,906)	0	0	0	0	(670,906)	0	**(670,906)**
Interest and investment income	0	0	0	0	0	0	(3,503)	**(3,503)**
Income from council tax	0	0	0	0	0	0	(228,225)	**(228,225)**
Government grants and contributions	0	0	0	0	0	0	(237,167)	**(237,167)**
Total Income	(670,906)	0	0	0	0	**(670,906)**	**(468,895)**	**(1,139,801)**
Employee expenses	530,742	0	0	0	25,053	555,795	0	**580,848**
Other service expenses	445,801	0	96,959	0	21,106	563,866	0	**584,972**
Support Service recharges	46,159	0	0	0	(46,159)	0	0	**(46,159)**
Depreciation, amortisation and impairment	0	0	203,291	0	0	203,291	0	**203,291**
IAS 19 Adjustments	0	0	(14,680)	0	0	(14,680)	0	**(14,680)**
Interest Payments	0	0		0	0	0	59,579	**59,579**
Precepts & Levies	0	0		0	0	0	583	**583**
Gain or Loss on Disposal of Fixed Assets	0	0		0	0	0	2,083	**2,083**
Total operating expenses	1,022,702	0	285,570	0	0	**1,308,272**	**62,245**	**1,370,517**
Surplus or deficit on the provision of services	351,796	0	285,570	0	637,366	**637,366**	**(406,650)**	**230,716**

2010-11 Net Cost of Services in Comprehensive Income and Expenditure Statement

Reconciliation to Subjective Analysis	Directorate Analysis	Services not in analysis	Not reported to management	Amounts not included in I & E	Allocation of Recharges to Services	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(191,179)	0	0	0	(14,682)	(205,861)	0	(205,861)
Interest and investment income	0	0	0	0	0	0	(3,566)	(3,566)
Income from council tax	0	0	0	0	0	0	(241,279)	(241,279)
Government grants and contributions	(558,295)	0	0	0	0	(558,295)	(254,185)	(812,480)
Total Income	(749,474)	0	0	0	(14,682)	**(764,156)**	**(499,030)**	**(1,263,186)**
Employee expenses	541,868	0	0	0	29,352	571,220	0	**571,220**
Other service expenses	640,539	0	0	0	62,184	702,723	0	**702,723**
Support Service recharges	0	0	0	0	(76,854)	(76,854)	0	**(76,854)**
Depreciation, amortisation and impairment	0	0	71,861	0	0	71,861	0	**71,861**
IAS 19 Adjustments	0	0	(125,992)	0	0	(125,992)	0	**(125,992)**
Interest Payments	0	0	0	3,236	0	3,236	55,699	**58,935**
Precepts & Levies	0	0	0	0	0	0	582	**582**
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	0	396	**396**
Total operating expenses	1,182,407	0	(54,131)	3,236	14,682	**1,146,194**	**56,677**	**1,202,871**
Surplus or deficit on the provision of services	432,933	0	(54,131)	3,236	0	**382,038**	**(442,353)**	**(60,315)**

32. Trading operations

The Council has three long established trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the Council or other organisations. The net deficit of £127k (2009-10 £85k) has been included in the net cost of services in the Comprehensive Income and Expenditure Statement.

Archaeology – Undertakes various contracts throughout the country, with a view to making a surplus. It achieves this on a cash basis, without internal recharges of support services at the year end.
Nordis – The Business was sold on the 1st December 2010.

Knuston Hall – is a residential adult education college and conference venue.

2009-10 £000		2010-11 £000
	Archaeology	
1,401	Turnover	1,504
(1,411)	Expenditure	(1,618)
(10)	(Deficit)	(114)
	Nordis	
959	Turnover	795
(1,056)	Expenditure	(841)
(97)	(Deficit)	(46)
	Knuston Hall	
702	Turnover	722
(680)	Expenditure	(689)
22	Surplus	33
(85)	**Net (deficit) on trading operations**	**(127)**

33. Pooled budgets

Section 75 of the National Health Service Act 2006, enables joint working arrangements between NHS bodies and Local Authorities. Pooled funds enable health bodies and Local Authorities to work collaboratively to address specific local health issues. A key feature of the pool is that the use of resources contributed to the pool should be dictated by the needs of clients who meet the criteria established for the pool, rather than the respective contributions of the partners. Thus, it is to be expected that health service resources could be used to deliver local authority services and vice versa. These arrangements should help eliminate unnecessary gaps and duplications between services

During the year the Council contributed to four pooled budgets:

Drug and Alcohol Action Team (DAAT) – hosted by Northamptonshire County Council, this is a partnership of all public bodies across the county whose purpose is to deliver the National Drug Strategy locally.

Community Equipment Services within Northamptonshire – hosted by Northamptonshire County Council, the equipment is allocated via an Occupational Therapy assessment to enable independent living. As part of the Community Equipment pooled budget agreement between

Northamptonshire County Council and Northamptonshire Teaching Primary Care Trust, the community equipment stock is held by Northamptonshire Teaching Primary Care Trust on behalf of the pool. The net realisable value of the stock as at 31st March 2011 is £80,000.

Adult Mental Health Services – hosted by Northamptonshire Teaching Primary Care Trust, is used to provide high quality services to promote mental health, prevent mental distress and illness and to provide timely and holistic treatment of mental illness within the County.

Child Adolescent Mental Health Services Commissioning Pool – hosted by Northamptonshire Teaching Primary Care Trust, is used to provide high quality services to prevent mental distress and illness and to provide timely and holistic treatment of mental illness for children within the County.

2009-10 £000		Note	2010-11 £000
	Drug and Alcohol Action Team (DAAT)		
9,783	Funding		8,275
(9,467)	Expenditure		(8,610)
316	Net Funding / (Expenditure)	1	(335)
	Community Equipment Services within Northamptonshire		
1,299	Funding		1,549
(1,299)	Expenditure		(1,549)
0	Net Funding / (Expenditure)		0
	Adult Mental Health Services Commissioning		
76,227	Funding		79,654
(77,519)	Expenditure		(83,229)
(1,292)	Net Funding / (Expenditure)	2	(3,575)
	Child Adolescent Mental Health Services Commissioning Pool (CAMHS)		
0	Funding		7,781
0	Expenditure		(7,450)
0	Net Funding / (Expenditure)	3	331
(976)	**Net Funding / (Expenditure)**		(3,579)

Notes

Each partner funding and expenditure is audited as part of each partner's annual audit

1. Any under or overspends during the year are carried forward into the following year

2.The net funding or expenditure identified will be absorbed by the Northamptonshire Teaching Care Trust

3.The underspend will be retained by the PTC to offer financial pressures on the TIER placement, this was agreed with the CAMHs Joint Commissioning Board.

34. Members' allowances

The allowances paid to members of the Council were £1,047k (2009-10 £1,149k).

35. Officers’ remuneration

a) The number of employees whose remuneration, taxable expenses and severance pay (if applicable), was £50,000 or more during the year is detailed below:

2009-10 Total	Pay Band	Staff in Schools	Other staff	2010-11 Total
216	£50,000 - £54,999	179	58	237
135	£55,000 - £59,999	88	40	128
67	£60,000 - £64,999	45	15	60
28	£65,000 - £69,999	29	14	43
17	£70,000 - £74,999	20	10	30
10	£75,000 - £79,999	8	3	11
13	£80,000 - £84,999	9	4	13
6	£85,000 - £89,999	7	6	13
9	£90,000 - £94,999	4	2	6
4	£95,000 - £99,999	5	3	8
1	£100,000 - £104,999	4	3	7
1	£105,000 - £109,999	2	1	3
1	£110,000 - £114,999	0	1	1
2	£115,000 - £119,999	0	1	1
0	£120,000 - £124,999	0	1	1
0	£125,000 - £129,999	0	0	0
4	£130,000 - £134,999	0	3	3
0	£135,000 - £139,999	0	0	0
0	£140,000 - £144,999	0	0	0
1	£145,000 - £149,999	0	0	0
0	£150,000 - £154,999	0	0	0
0	£155,000 - £159,999	0	1	1
0	£160,000 - £164,999	0	1	1
0	£165,000 - £169,999	0	0	0
0	£170,000 - £174,999	0	0	0
0	£175,000 - £179,999	0	0	0
0	£180,000 - £184,999	0	0	0
0	£185,000 - £189,999	0	0	0
0	£190,000 - £194,999	0	0	0
1	£195,000 - £199,999	0	0	0
516	**Totals**	**400**	**167**	**567**

b) Disclosure of remuneration for senior employees. Senior employees are typically an Council's Chief Executive (or equivalent) and their direct reports (other than administration staff).

Post holder information (Post title and name)	Notes	Salary (including fees & Allowances)	Expenses Allowances	Total Remuneration excluding pension contribution	Pension contributions	Total Remuneration including pension contribution
		2010/11	2010/11	2010/11	2010/11	2010/11
		£000	£000	£000	£000	£000
Chief Executive - P Blantern	1	156	1	157	30	187
K Kerswell	1	37	0	37	7	45
Corporate Director of Health & Adult Social Services - Charlie MacNally		133	2	134	26	160
Corporate Director of Children & Young People's Services - Paul Burnett		133	2	135	26	160
Corporate Director for Environment, Growth & Commissioning - Tony Ciaburro		133	1	134	26	159
Assistant Chief Executive Policy & Partnership		122	0	122	24	146
Director of HR and OD	4	118	1	119	21	140
Chief Fire Officer		103	0	103	22	125
Director of Operations	4	97	2	98	19	117
Head of Strategy and Business Administration		73	0	73	14	88
Assistant Chief Executive Finance & Commercial Management	2	21	0	21	0	21
Section 151 Officer	3	10	0	10	0	10
		1,137	**8**	**1,145**	**214**	**1,360**

Note 1: K Kerswell left and PR Blantern was appointed in June 2010.

Note 2: The whole time equivalent salary of this post, which include statutory duties of the Chief Finance for the Council, is £118,000 per annum. The remuneration paid in 2010-11 relates to the statutory element of the role only which was undertaken by an interim officer February 2011.

Note 3: From February 2011 the interim officer covering the role of Assistant Chief Executive Financial and Commercial was replaced by the Head of Finance, Section 151 Officer.

Note 4: The LGSS implications of shared post's remunerations for:

- The Director of Operations and Director of Human Resources and Organisational Development are disclosed above and;
- The Director of Finance and the Director of Legal Services are disclosed in the Cambridgeshire County Council's Statement of Accounts.

36. External audit costs

2009-10		2010-11
£000		£000
389	KPMG LLP - audit services carried out by the appointed auditor	388
22	KPMG LLP - certification of grant claims and returns	19
16	The Audit Commission - statutory inspections and initiatives	4
427		411

The fees for provision of audit services and certification of grants were based on budget in line with the Annual letter. A charge of £80k was incurred in year over and above the agreed audit fee for completion of the 2009-10 audit.

37. Dedicated schools grant

Details of the deployment of DSG receivable for 2010-11 are as follows:

Total		Central Expenditure	Individual Schools Budget	Total
2009-10		**2010-11**	**2010-11**	**2010-11**
£000		**£000**	**£000**	**£000**
378,004	Final DSG for 2010-11	82,675	303,459	**386,134**
3,630	Brought forward from 2009-10	7,924		**7,924**
0	C/F to 2011-12 agreed in advance	0		**0**
381,634	Agreed budgeted distribution in 2010-11	**90,599**	**303,459**	**394,058**
(71,430)	Actual central expenditure	(87,456)		**(87,456)**
(302,280)	Actual ISB deployed to schools		(303,459)	**(303,459)**
0	Local Council Contribution for 2009-10			**0**
(373,710)	Total Expenditure in the year	**(87,456)**	**(303,459)**	**(390,915)**
7,924	Carry forward to 2011-12	**3,143**	**0**	**3,143**

38. Grant income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010-11:

2009-10 £000		2010-11 £000
	Credited to Taxation and Non Specific Grant Income	
27,912	Revenue Support Grant (RSG)	19,541
29,619	Area Based Grant (ABG)	39,451
59,938	Other Grants	60,618
228,225	Precepts on Council Tax billing authority (Districts and Borough Councils)	241,279
120,928	Business Rate Income	134,574
466,622	**Total**	**495,464**
	Credited to Services	
377,986	Dedicated Schools (DSG)	386,134
1,069	Drug/Alcohol Misuse	962
35,554	SFA/YPLA	52,140
10	LAA	0
0	Parent Support Advisors	0
1,942	Performance Reward	838
12,321	PFI Credits	12,429
20,916	School Standards	20,611
2,643	Section 256	0
51	Specific Road Safety	0
39,199	Standards Fund	80,092
1,320	Supported Employment	1,128
14,272	Supporting People	0
24,544	Sure Start Early Years Childcare	28,398
814	Training Support Programme	580
839	Youth Justice Board	1,154
0	Community Infrastructure Grant	3,276
0	Fire Property Grant	783
6,641	Growth Area Fund	18,514
2,101	Single Programme	931
1,033	Northamptonshire PCT	5,079
19,675	Other	18,556
562,930		**631,606**
1,029,552	Total	**1,127,070**

The Authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that may require the monies or property to be returned to the giver. The balances at the year end are as follows:

Capital Grants Receipts in Advance

2009-10 £000	Capital Grants Receipts in Advance	2010-11 £000
39,914	Standards Fund	32,366
12,639	Section 106 Developer Contributions	14,478
0	Sure Start - Early Years	4,905
0	Community Infrastructure Fund	1,156
1,827	Growth Area Fund	1,013
479	Other grants	101
54,859	**Total**	54,019

39. Transactions with related parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates and provides the majority of its funding in the form of grants. Details of specific Government grants can be found in Note 38.

Councillors
Members of the Council have direct control over the Council's financial and operating policies. During 2010-11 the Council bought goods and services and gave grants to the value of £293,526 to organisations or companies in which three Councillors had an interest. The Council entered into contracts in line with standard procedures and made grants with proper consideration of declarations of interest.

During 2010-11 the Council received no income from organisations in which councillors had an interest.

Officers
During 2010-11 the Council bought goods and services and gave grants to the value of £222k to organisations or companies in which officers had an interest. The Council entered into contracts in line with standard procedures and made grants with proper consideration of declarations of interest.

During 2010-11 the Council received £72 of income from one organisation in which one officer had an interest.

Northamptonshire Connexions Partnership Ltd
Connexions-Northamptonshire is an organisation that offers advice on education, careers, housing, money, health and relationships to 13-19 year olds in the County. Funding from the Department for Children, Schools and Families is incorporated into the Area Based Grant and distributed to Connexions-Northamptonshire via the Council.

During 2009-10 the Council paid grants to Connexions-Northamptonshire totalling £8,090,963.

During 2009-10 the Council received £119,906 from Connexions-Northamptonshire for services provided.

Northamptonshire Enterprise Ltd (NEL)
NEL was created in 2006 by the merger of the Council's economic development service with Northamptonshire Enterprise (the sub-regional arm of East Midlands Development Agency), Invest Northamptonshire, Explore Northamptonshire and Northamptonshire Observatory. Since then the Council has had a service level agreement in place with NEL for the management and delivery of the Council's economic development functions.

The Council paid fees totalling £570,000 directly to NEL for the management and delivery of the Council's economic development functions. A further £1,351,239 was paid to NEL as grants, the delivery of which is managed by NEL.

NEA Properties Ltd
NEA Properties Ltd is a company set up many years ago by the Council to stimulate and promote the creation and growth of business enterprise in Northamptonshire, so as to increase employment opportunities in the County.

During 2010-11 various Council projects were funded to the value of £110,000 by NEA Properties Ltd.

East Midlands Broadband Consortium
The East Midlands Broadband Consortium (EMBC-PL) is a partnership of 7 authorities procuring broadband connectivity services from Asymetrix plc for its member authorities and principally schools. Northamptonshire owns approximately 14.29% of EMBC-PL and in 2009-10 made payments totalling £1,464,003 to the company. This expenditure is funded by a Standards Fund grant for broadband connectivity from the Department for Education.

Northamptonshire Local Government Pension Scheme
Northamptonshire County Council (NCC) is responsible for managing the Pension Fund's finances, and therefore is a related party. NCC made payments of £34.7m to and recovered costs of £1.9m against the pension fund in the 2010-11 financial year. Payments relate to employer contributions into the fund in respect of NCC and receipts relate to administration costs incurred by the NCC on behalf of the Pension Fund.

Debtors and Creditors Balances
There were no balances due to or from related parties at 31 March 2011.

Related Parties with Significant Influence or Dominant Control
The Council has an interest in two companies limited by Guarantee through board membership and significant influence. However, the maximum amount of liability borne by the Council in the event of insolvency is limited to £1 as both companies are limited by guarantee.

The Council has considered that group accounts will not be required as the net worth and exposure to risk is not material. Users of the Council accounts will be able to see the complete activities of the Council and its exposure to risk without producing group accounts.

The following information is extracted from the most recent unaudited Company Accounts. Copies of the Accounts are available from Companies House, Cardiff, CF14 3UZ once filed.

Business Entity	**Connexions Northamptonshire**	**NEA Properties**	**EMBC Procurement Ltd**
Held %	Significant Influence	Significant Influence	16.3%
Entity year end	Mar-11	Mar-10	Mar-11
	£000	£000	£000
Profit before tax	(469)	(61)	(24)
Profit after tax	(469)	(61)	(28)
Total Assets	3260	361	3519
Total Liabilities	2805	(45)	3782
Net Assets	454	316	(249)
Dividend received by Council	N/A	N/A	N/A
Amount due to/(form) Council	N/A	N/A	N/A

40. Capital expenditure and capital financing

2009-10 £000		2010-11 £000
534,258	Opening Capital Financing requirement	560,723
	Capital Investment	
104,334	Property, Plant and Equipment	119,202
0	Investment Property	0
1,099	Intangible Assets	1,519
26,344	Revenue Expenditure Funded From Capital Under Statute	51,309
2,100	PFI Bullet Payments	0
4,450	Single Status Capitalisation	0
	Sources of Finance	
(10,870)	Capital receipts	(8,637)
(76,213)	Government grants and other contributions applied	(96,498)
(19,128)	Sums set aside from revenue (includes direct revenue financing, MRP and any voluntary set aside)	(22,880)
(5,651)	MRP / Loans fund principal	(6,109)
560,723	Closing Capital Financing Requirement	**598,630**
	Explanation of movements in year	
34,710	Increase in underlying need for borrowing (supported by government financial assistance)	30,035
(8,714)	Increase in underlying need to borrowing (unsupported by government financial assistance)	6,304
469	Assets acquired under Finance Leases	1,568
26,465	Increase /decrease in Capital Financing Requirement	**37,907**

41. Minimum Revenue Provision

In line with the MRP policy adopted by the Council, the 2010-11 Statutory General Fund MRP provision of £22.9m on residual Capital Financing Requirement (CFR) as at 31 March 2011 has been reduced by the amount of assets under construction and then applied to the asset life methodology. This is in line with the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 (SI20008/414) and the DCLG guidance option 3. MRP has been assessed from April 2007 in line with guidance.

42. Leases
Council as Lessee

Finance Leases
The Council has acquired a number of vehicles and Hot Meals temporary kitchen units under finance leases.
The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts.

2009-10	Cost of Finance Lease Assets	2010-11
£000		£000
5,880	Vehicles, Plant, Furniture, Equip – Vehicles	6,987
Nil	Vehicles, Plant, Furniture, Equip – Hot meals	1,132
5,880		8,119

The Council is committed to making minimum payments under these leases comprising settlement of the long term liability for the interest element of the leases acquired by the Council, and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

2009-10	Finance lease liabilities (net present value of minimum lease payments)	2010-11
£000		£000
829	Current (payment in 11/12)	1,123
1,840	Non-Current (payment from 12/13 onwards)	2,250
338	Finance costs payable in future years	615
3,007	Minimum lease payments	3,988

The Minimum lease payments will be payable over the following periods:

Minimum Lease Payments (with interest) 2009-10	Finance Lease Liabilities (without interest) 2009-10		Minimum Lease Payments (with interest) 2010-11	Finance Lease Liabilities (without interest) 2010-11
£000	£000		£000	£000
1,000	829	Not later than one year	1,323	1,123
2,008	1,840	Later than one year and not later than five years	2,665	2,283
3,008	2,669		3,988	3,406

Operating Leases
The future minimum payments due under operating leases in future years are:

2009-10		2010-11
£000		£000
702	Not later than one year (payments)	1,211
1,380	Later than one year and not later than five years	1,627
716	Later than five years	321
2,798		3,159

The expenditure charged to various service lines in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

2009-10		2010-11
2,990	Minimum lease payments	1,039

Council as Lessor

Finance Leases
The Council as a Lessor does not have any leases that have been classified as Finance Leases.

Operating Leases
The Council owns or leases a number of buildings that are leased or sub-leased for various reasons, the larger elements of these being as follows:
Three depots for highways contractors are rented to a contractor for £169k p.a.
Fire Stations are leased for an amount of £129k p.a.
Various school buildings are leased for £127k p.a.
Riverside House is sub let to a contractor at £73k p.a.
Industrial units are leased at £48k p.a.
Farms are leased out to a value of £47k p.a.

The future minimum lease payments receivable under operating leases in future years are:

2009-10		2010-11
£000		£000
(16)	Not later than one year	(6)
(50)	Later than one year and not later than five years	(169)
(376)	Later than five years	(358)
442		(533)

43. Private finance initiatives and similar contracts

Private Finance Initiatives and Public Private Partnerships
Private Finance Initiatives (PFI)
The Council has entered into the following Private Finance Initiatives (PFI):

- The Wooldale Centre
- Residential Care Homes
- The Northampton Town Learning Partnership

The annual payments are subject to contract variations as defined by the contract agreement.

Wooldale Centre
On 28 March 2003 the Council entered into a PFI agreement with Wooldale Partnerships Ltd to build and operate the “Wooldale Centre for Learning”, which comprises the Caroline Chisholm secondary and primary school, a public library, and various pre-school and community facilities at Wootton Fields, Northamptonshire.

The contractor made the Wooldale Centre available from September 2004 and will operate it over the life of the agreement which ends on 31 August 2029.

Residential Care Homes
In January 2003 the Council entered into a PFI agreement with Shaw Healthcare to build and operate 4 specialist care centres located in Rushden, Corby, Daventry & Northampton. The

facilities were completed between June and December 2004 and will be operated until December 2029, 25 years from the last unit opening date.

PFI credits to the value of £1.3m p.a. will be received over the 25 year period.

Northampton Town Learning Partnership
On 31 December 2005 the Council entered into a PFI agreement with Northampton Schools Ltd Partnership (Babcock & Brown Ltd), for a period of 32 years and one day; to build and refurbish 5 secondary schools and 36 primary schools in Northampton Town and to finance and operate them over the same period. The PFI completion date is 1 January 2038.

The building sub contractor, Galliford Try, has completed the building works to construct 5 new secondary and 6 new primary schools, with the remaining schools having extensions and/or refurbishments.

The facilities management services for the schools carried out by sub contractor Amey BPO Services Ltd also commenced on 31st December 2005.

Public Private Partnerships (PPP)

Shaw- Elderly Persons Homes (EPH)
The Shaw EPH scheme relates to a Public Private Partnership (PPP) with respect to a block contract involving 2 new builds and the transfer of 8 elderly person's homes to Shaw Healthcare with financial close reached in May and October 2006 respectively.

The scheme involved:

- The refurbishment of two homes: Victoria Road in Rushden and Lancum House in Wellingborough (sold to Shaw Healthcare in 2008-09);
- The rebuild of two homes on existing sites: Ashfield House, Raunds and Abbott House, Oundle (transferred to Shaw Healthcare for consideration of £1 each);
- New builds of two homes on land acquired by the developer: Oakley Vale, Corby and Towells Land, Kettering;
- Improvement works on one home, Beech Close, to extend its life by up to eight years (leased to Shaw Healthcare over life of contract);
- Sale of three homes to finance contributions to Shaw's development costs: Thornton House, Maple House and Ferndale Lodge.

The Council has a 25 year contract with Shaw Healthcare under which the developer provides a specified number of beds at each home at a specified price to the Council.

The assets will be owned by the developer at the end of the contract.

The Council is contributing the following assets to the scheme as set out in the project agreement:

Ashfield House, Raunds and Abbot House Oundle – transferred at financial close (May 2006) at a consideration of £1 each, and capital contributions over the life of the contract.

The capital contributions to date of £2,261k and asset contributions of £865k are reflected in the block fees paid to the developer.

Payments due to be made under PFI and similar contracts

Repayments of Liabilities resulting from PFI and similar contracts

	Wooldale Centre		Residential Care Homes		Northampton Town Learning Partnership		Shaw Elderly Person Homes		Total	
	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Less than 1 year	492	632	517	541	4,007	3,981	170	298	5,186	5,452
Between 2 and 5 years	2,622	2,788	2,138	2,211	15,720	15,628	1,819	2,085	22,299	22,712
Between 5 and 10 years	4,232	4,231	3,400	3,548	19,374	19,372	2,889	3,068	29,895	30,219
Between 10 and 15 years	5,363	6,080	3,740	3,879	19,770	19,969	4,151	4,414	33,024	34,342
Between 15 and 20 years	7,698	6,185	4,220	3,318	21,155	21,568	5,034	5,353	38,107	36,424
Between 20 and 25 years	0	0	0	0	23,769	24,479	6,344	5,730	30,113	30,209
Between 25 and 30 years	0	0	0	0	15,284	10,075	710	0	15,994	10,075
Total	**20,407**	**19,916**	**14,015**	**13,497**	**119,079**	**115,072**	**21,117**	**20,948**	**174,618**	**169,433**

Payment of Operating Charges resulting from PFI and similar contracts

	Wooldale Centre		Residential Care Homes		Northampton Town Learning Partnership		Shaw Elderly Person Homes		Total	
	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Less than 1 year	1,255	1,139	6,113	6,180	11,486	11,655	6,435	6,402	25,289	25,376
Between 2 and 5 years	5,030	5,232	25,907	26,587	48,397	49,607	24,941	24,282	104,275	105,708
Between 5 and 10 years	7,742	8,431	35,998	36,915	67,622	69,312	30,529	31,266	141,891	145,924
Between 10 and 15 years	9,856	9,745	41,668	42,756	76,508	78,420	34,178	35,029	162,210	165,950
Between 15 and 20 years	8,911	6,991	42,057	33,193	86,561	88,726	39,699	40,663	177,228	169,573
Between 20 and 25 years	0	0	0	0	97,936	100,385	45,976	42,697	143,912	143,082
Between 25 and 30 years	0	0	0	0	59,360	38,279	5,016	0	64,376	38,279
Total	**32,794**	**31,538**	**151,743**	**145,631**	**447,870**	**436,384**	**186,774**	**180,339**	**819,181**	**793,892**

Payment of Finance Lease Interest costs and Contingent Rent resulting from PFI and similar contracts

	Wooldale Centre		**Residential Care Homes**		**Northampton Town Learning Partnership**		**Shaw Elderly Person Homes**		**Total**	
	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Less than 1 year	1,806	1,772	1,013	1,028	9,834	9,837	1,688	1,750	14,341	14,387
Between 2 and 5 years	6,773	6,573	4,131	4,182	39,421	39,455	7,327	7,483	57,652	57,693
Between 5 and 10 years	7,051	6,600	5,559	5,618	49,223	49,119	9,682	9,821	71,515	71,158
Between 10 and 15 years	5,045	4,705	5,457	5,502	48,374	48,097	10,410	10,513	69,286	68,817
Between 15 and 20 years	2,462	1,680	5,230	4,047	46,520	46,003	10,409	10,504	64,621	62,234
Between 20 and 25 years	0	0	0	0	43,360	42,548	10,067	8,809	53,427	51,357
Between 25 and 30 years	0	0	0	0	22,788	14,627	985	0	23,773	14,627
Total	**23,137**	**21,330**	**21,390**	**20,377**	**259,520**	**249,686**	**50,568**	**48,880**	**354,615**	**340,273**

Total Payments due to be made under PFI and similar contracts

	Wooldale Centre		**Residential Care Homes**		**Northampton Town Learning Partnership**		**Shaw Elderly Person Homes**		**Total**	
	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Less than 1 year	3,553	3,543	7,643	7,749	25,327	25,473	8,293	8,450	44,816	45,215
Between 2 and 5 years	14,425	14,593	32,176	32,980	103,538	104,690	34,087	33,850	184,226	186,113
Between 5 and 10 years	19,025	19,262	44,957	46,081	136,219	137,803	43,100	44,155	243,301	247,301
Between 10 and 15 years	20,264	20,530	50,865	52,137	144,652	146,486	48,739	49,956	264,520	269,109
Between 15 and 20 years	19,071	14,856	51,507	40,558	154,236	156,297	55,142	56,520	279,956	268,231
Between 20 and 25 years	0	0	0	0	165,065	167,412	62,387	57,236	227,452	224,648
Between 25 and 30 years	0	0	0	0	97,432	62,981	6,711	0	104,143	62,981
Total	**76,338**	**72,784**	**187,148**	**179,505**	**826,469**	**801,142**	**258,459**	**250,167**	**1,348,414**	**1,303,598**
Scheme End Dates	30-Aug 2029		30-Aug-2029		01-Jan-2038		31-May-2036			

44. Impairment losses
For 2009-10 the Code requires disclosure by class of assets of the amounts for impairment losses and impairment reversals charged to the Surplus or Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure. These disclosures are consolidated in Notes 13, 15 and 24.

During 2010-11, the Council's valuers carried out an Impairment review and stated "In my opinion, whilst there has been a small amount of movement in some prime property values and yields in the wider market nationally, the markets for the bulk of the Council's property portfolio have remained static and I would therefore recommend nil impairment movement".
The Council has however recognised an impairment loss of £530k in relation to Chester Farm. Chester Farm had been reclassified as an Asset held for Sale with Land and Buildings.

45. Capitalisation of borrowing costs
The Council has capitalised borrowing costs of £1.9m during the financial period 2010-11 and £1.2m during the financial period 2009-10.

The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation for financial periods 2009-10 and 2010-11 was 4.1%.

46. Long Term Debtors

31-Mar-10		**31-Mar-11**
£000		**£000**
2,075	Deferred Charges Holding Account	2,505
(123)	Loans Issued	6,877
32	Bridging Loans	0
3,855	Finance Lease Liabilities	3,855
5,839		**13,237**

47. Pensions schemes accounted for as defined contribution schemes
Pension Interest costs and expected returns on pension assets

2009-10		2010-11
£000		£000
(27,827)	Expected return on Assets in NCC Pension Fund	(43,975)
48,865	Interest on Pensions Liability (NCC)	58,635
8,260	Interest on Pensions Liability (Fire Pensions)	£9,620k
29,298		**14,660**

Teachers

In 2010-11 we paid £28.8 million to the Teachers Pensions Agency for teachers' pensions costs, which represents 14.1% of teachers' pensionable pay. We are also responsible for payments to the Teachers Pensions Agency in respect of the "Premature Retirement Compensation", payable to those teachers that are made redundant and are pensionable, but below normal pension age. In 2010-11 these amounted to £1.7 million (0.8% of pensionable pay).

Uniformed firefighters
In 2010-11 the service cost paid into the pension fund for uniformed fire-fighters' was £1.9m. This represents 21.3% of pensionable pay in respect of employees in the 1992 scheme and 14.2% of pensionable pay in respect of employees in the 2006 scheme.

The fire-fighter pension regulations exempt certain charges relating to ill health and injury awards from the Fire-fighters' Pension Fund Account. In 2010-11 these costs totalled £300,652.

Other employees
In 2010-11 the service cost paid into the pension fund for council staff was £34.7 million. This represents 21.8% of pensionable pay.
We are also responsible for any pension payments relating to added years we have awarded together with the related increases. In 2010-11 these were £1.5 million (0.9% of pensionable pay).

Capital cost of discretionary increases in pensions payments
The capital cost of discretionary increases in pension's payments that we agreed in 2010-11 was nil.

The capital cost of discretionary increases in pensions payments that we agreed before 2010-11 was £26.2 million.

The fund's actuary bases our contribution rate on actuarial valuations every three years. (The review relating to contributions in 2010-11 took place on 31 March 2010, the results of which were applied to pension's contributions from 1 April for the financial years 20011-12 and 2012-13, and will be applied to 2013-14). Under pension scheme regulations these contribution rates should cover all the fund's liabilities.

There are more details on pension assets and liabilities in Note 13 (Retirement Benefits – FRS17).

Further information can be found in the County Council's Pension Fund's Annual report.

48. Retirement Benefits – IAS19 Disclosures for Defined benefit pension

48a Participation in pension schemes

The Local Government Pension Scheme and Firefighters' Pension Scheme are defined benefit schemes**.**

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Council participates in two pension schemes that are subject to the requirements of IAS19:

- The Local Government Pension Scheme for civilian employees, administered by Northamptonshire County Council – this is a funded scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.
- The Firefighters' Pension Scheme for firefighters' – this is an unfunded scheme, meaning that there are no investment assets built up to meet actual pensions payments as they eventually fall due. Two pension schemes operate within the fund, the 1992 scheme and the 2006 scheme.

48b Reconciliation of defined benefit obligation

	Local Government Pension Scheme		Firefighters Pension Scheme		Total	
	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11
	£000	£000	£000	£000	£000	£000
Opening Defined Benefit Obligation	704,110	1,143,679	120,460	179,800	824,570	1,323,479
Current Service Cost	20,605	34,683	3,400	5,210	24,005	39,893
Interest Cost	48,865	58,635	8,260	9,620	57,125	68,255
Contribution by Scheme Participants	10,365	10,179	0	0	10,365	10,179
Actuarial Gains and Losses	382,400	(206,920)	52,560	(4,400)	434,960	(211,320)
Benefits Paid	(23,330)	(30,097)	(4,920)	(4,450)	(28,250)	(34,547)
Pension Transfers in	0	0	40	310	40	310
Past Service Costs	44	(109,989)	0	(19,020)	44	(129,009)
Curtailments	620	689	0	0	620	689
Settlements	0	0	0	0	0	0
Closing Defined Benefit Obligation	**1,143,679**	**900,859**	**179,800**	**167,070**	**1,323,479**	**1,067,929**

48c Reconciliation of Fair Value of the Scheme Assets

	Local Government Pension Scheme		Firefighters Pension Scheme		Total	
	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11
	£000	£000	£000	£000	£000	£000
Opening Fair Value of Employer Assets:	424,634	604,640	0	0	424,634	604,640
Expected Rate of Return on Scheme Assets	27,827	43,975	0	0	27,827	43,975
Actuarial Gains and Losses	131,379	(9,460)	0	0	131,379	(9,460)
Assets Distributed on Settlements	0	0	0	0	0	0
Employer contributions	33,765	33,425	0	0	33,765	33,425
Contributions by scheme participants	10,365	10,179	0	0	10,365	10,179
Benefits Paid	(23,330)	(30,097)	0	0	(23,330)	(30,097)
Closing Fair Value of Employer Assets	**604,640**	**652,662**	**0**	**0**	604,640	652,662

48d Comprehensive Income and Expenditure Statement & Movement in Reserve Statement

The following transactions have been made in the Comprehensive Income and Expenditure Statement and MIRS during the year:

	Local Government Pension Scheme		Firefighters Pension Scheme		Total	
	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11
	£000	£000	£000	£000	£000	£000
Income and Expenditure Account						
Cost of Services						
Current Service Cost	20,605	34,683	3,400	5,210	24,005	39,893
Past Service Cost	44	(109,989)	0	(19,020)	44	(129,009)
Settlements and Curtailments	620	689	0	0	620	689
Pension Transfers in	0	0	40	310	40	310
Financing and Investment Income and Expenditure					0	0
Interest Costs	48,865	58,635	8,260	9,620	57,125	68,255
Expected return on scheme assets	(27,827)	(43,975)	0	0	(27,827)	(43,975)
Net Charge to the Income and Expenditure Account	**42,307**	**(59,957)**	**11,700**	**(3,880)**	**54,007**	**(63,837)**
Other Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services						
Actuarial gains and losses	(251,022)	197,460	(52,560)	4,400	(303,582)	201,860
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(208,715)	137,503	(40,860)	520	(249,575)	138,023
Movement in Reserves Statement						
Reversal of net charges made for retirement benefits in accordance with IAS19	(8,542)	93,382	(6,780)	8,330	(15,322)	101,712
Actual amount charged against the General Fund Balance for pensions in the year:						
Employers' contribution payable to scheme (LGPS)/Retirement Benefits payable to pensioners (FPS)	**33,765**	**33,425**	**4,920**	**4,450**	**38,685**	**37,875**

48e The major categories of plan assets as a percentage of total plan assets
The Firefighters' Pension Scheme has no assets to cover its liabilities. The fund balances to nil each year through the receipt or refund of a top up grant from the Central Government Sponsoring body. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	Local Government Pension Scheme		Firefighters Pension Scheme	
	2009-10	2010-11	2008-09	2009-10
	%	%	%	%
Equities	76	72	N/A	N/A
Bonds	16	20	N/A	N/A
Property	6	6	N/A	N/A
Cash	2	2	N/A	N/A

48f Expected return on assets
The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period (i.e.1 April 2010).

Long Term expected rate of return on assets in the scheme

	Local Government Pension Scheme		Firefighters Pension Scheme	
	2009-10	2010-11	2009-10	2010-11
	%	%	%	%
Equities	7.8	7.5	N/A	N/A
Bonds	5.0	4.9	N/A	N/A
Property	5.8	5.5	N/A	N/A
Cash	4.8	4.6	N/A	N/A

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Firefighters' Pension Scheme and the Local Government Pension Fund liabilities have been assessed by the Government Actuary's Department (GAD) and Hymen Robertson LLP respectively. The financial assumptions used for the Local Government Pension Fund were those from the beginning of the year (i.e.1 April 2010) and have not been changed during the year.

48g The main assumptions used in their calculations have been:

	Local Government Pension Scheme		Firefighters Pension Scheme	
	March 2010	**March 2011**	**March 2010**	**March 2011**
	%	**%**	**%**	**%**
Rate of inflation	3.8	2.8	3.9	3.0
Rate of increase in salaries	5.3	5.1	5.4	5.3
Rate of increase in pensions	3.8	2.8	3.9	3.9
Rate for discounting scheme liabilities	5.5	5.5	5.8	5.7
Take-up of option to convert annual pre-April 2008 service pension into retirement grant	50.0	50.0	N/A	N/A
Take-up of option to convert annual post-April 2008 service pension into retirement grant	75.0	75.0	N/A	N/A

Mortality Assumptions

For the County Council and Firefighter's Pension Funds the average future life expectancies at age 65 are summarised below.

	Local Government Pension Scheme		Firefighters Pension Scheme	
	2010 Years	**2011 Years**	**2010 Years**	**2011 Years**
65 year old current pensioner				
Male	20.8	21.4	23.3	23.4
Female	24.1	23.3	25.2	25.3
45 year old future pensioner at age 65				
Male	22.3	23.4	26.2	26.3
Female	25.7	25.5	28.0	28.0

48h Scheme History

	2006-07 £000	**2007-08 £000**	**2008-09 £000**	**2009-10 £000**	**2010-11 £000**
Present Value of Liabilities:					
Local Government Pension Scheme	(731,048)	(812,601)	(704,109)	(1,143,679)	(900,858)
Firefighters Pension Scheme	(150,130)	(129,210)	(120,460)	(179,800)	(167,070)
	(881,178)	**(941,811)**	**(824,569)**	**(1,323,479)**	**(1,067,928)**
Fair Value of Assets:					
Local Government Pension Scheme	555,321	527,061	424,635	604,639	652,662
Firefighters Pension Scheme	0	0	0	0	0
	555,321	**527,061**	**424,635**	**604,639**	**652,662**
Surplus/(deficit) in the scheme:					
Local Government Pension Scheme	(175,727)	(285,540)	(279,474)	(539,039)	(248,196)
Firefighters Pension Scheme	(150,130)	(129,210)	(120,460)	(179,800)	(167,070)
	(325,857)	**(414,750)**	**(399,934)**	**(718,839)**	**(415,266)**

History experience of gains and losses

Differences between expected and actual return on assets:	2006-07 £000	2007-08 £000	2008-09 £000	2009-10 £000	2010-11 £000
Asset Gain (Loss)	(6,371)	(69,796)	(155,090)	131,379	(9,460)
Present Value of Assets	555,321	527,061	424,635	604,639	652,662
Asset Gain (Loss) %	(1.15)%	(13.24)%	(36.52)%	21.73%	(1.45)%
Gains & Losses on Liabilities:					
Liability Gain (Loss)	0	3,381	(4,951)	(84)	137,589
Present Value of Liabilities	(731,048)	(812,601)	(704,109)	(1,143,679)	(900,858)
Liability Gain (Loss) %	0.00%	0.42%	(0.70)%	(0.01)%	0.01%
Actuarial Gains/(Losses):					
Local Government Pension Scheme	30,794	(101,125)	21,658	(251,022)	197,460
Firefighters Pension Scheme	0	27080	17,080	(52,560)	4,400
	30,794	**(74,045)**	**38,738**	**(303,582)**	**201,860**

48i Projected pension expense for the year to 31 March 2012 - LSPS

Analysis of the projected amount to be charged to operating expenditure for the year to 31 March 2012:

Year Ended:	March 2012 £'000	% of pay
Projected Current Service Cost	28,949	18.4%
Interest on Obligation	49,692	31.5%
Expected Return on Plan Assets	(44,509)	(28.2)%
Past Service Cost	-	-
Losses/(Gains) on Curtailments and Settlements	-	-
Total	**34,132**	**21.7%**

The estimated employer's contributions for the year to 31 March 2012 will be approximately £26,794,000.

49. Trust funds

We are the sole trustee for several legacies left for the benefit of education and the community in the County. We manage £20k of trust funds and other third party funds. These amounts are not included in the Comprehensive Income & Expenditure Statement or Balance Sheet.

50. Contingent liabilities

50a Employment Tribunal Claims

The Council has 6 employment tribunal cases outstanding, but is unable at this stage to measure the degree of likelihood of any liabilities or the amounts of any potential obligations with sufficient reliability. Hence, no amounts have been recognised within the accounts. Based on historic experience and the number of cases the estimated liability could be up to £100,000.

50b Civil Cases

The Council has 4 civil cases currently outstanding, but is unable at this stage to measure the degree of likelihood of any liabilities or the amounts of any potential obligations with sufficient reliability. Hence no amounts have been recognised within the accounts. Based on historic experience and the number of cases the estimated liability could be up to £79,000.

50c Review of Major Contracts

Over a year ago, the Council was issued with proceedings for a claim on a contract for works on a Council property and this claim was recognised as a contingent liability in 2008-09. Still

ongoing, it is again recognised in the 2010-11 accounts as a contingent liability. The Council continues to vigorously contest this case and is currently awaiting a pre-trial hearing. The possible financial impact, if any, is uncertain, but as a guide could be up to £580,000, including costs.

50d Highway Status
As a result of a dispute over the status of a road, the Council has been attempting to agree a procedure for mediation with the claimants. Alongside this the Council is awaiting a trial date to be set by the High Court. Likely trial dates are end of 2011 to early 2012. This trial will enable the Council to go to court to pursue its defence that a road is a highway and not a private road. The financial impact is very uncertain, with costs against the Council if it loses being potentially as high as £1m, but if the Council wins, being as low as £130,000. With such uncertainty, no amounts have been recognised in the accounts.

51. Contingent Assets

VAT Claim
The outcome of a legal case (Fleming) where certain items deemed to be standard rated were considered to be outside the scope of VAT. The County Council submitted a claim and recovered overpaid VAT plus statutory interest.
The issue now, is whether the interest received should be compound interest. There is no legal precedent for this and the issue is being pursued in various courts by large corporations.
NCC has lodged an appeal at tribunal to ensure council's entitlement to compound interest, should the legal precedent realise in favour of compound interest.
Given the above, it is not practicable to provide an estimate of the financial effect and, in accordance with contingent asset accounting treatment, in the interest of prudence, no credits have been recognised in the accounts.

The Annual Governance Statement (AGS)

Scope of Responsibility

Northamptonshire County Council (the 'Council') is responsible for ensuring that its business is conducted in accordance with the law and proper standards. It is responsible for ensuring that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Northamptonshire County Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. This Code is subject to regular review, a copy of the Code of Corporate Governance is available on our website at http://www.northamptonshire.gov.uk/en/councilservices/Council/ppp/Pages/Code.aspx , or can be obtained from Steve Tinkler, Head of Internal Audit and Risk Management on 01604 237055.

This Annual Governance Statement explains how the Council has complied with the Code and also meets the requirements of regulation 4.2 of the Accounts and Audit Regulations 2011 as amended by the Accounts and Audit (England) Regulations 2011 in relation to the publication of a statement on internal control.

This statement will further explain the progress that the Council has made towards the achievement of the improvement actions outlined in the 2009 -10 Annual Governance Statement.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values, by which the Council is directed and controlled and through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its priority outcomes and to consider whether those have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, core purpose and priority outcomes and can therefore only provide reasonable assurance of effectiveness. The system of internal control is based on an on-going process designed to:

a) Identify and prioritise the risks to the achievement of the Council's policies, core purpose and priority outcomes.
b) Evaluate the likelihood of those risks being realised.
c) Evaluate the impact should they be realised.
d) Manage them efficiently, effectively and economically.

The governance framework has been in place at Northamptonshire County Council for the year ended 31st March 2011 and up to the date of approval of the annual report and statement of accounts.

The Governance Framework

The key elements of the systems and processes that comprise the Council's governance arrangements are described below:

Creating and Implementing a Vision

Good governance means developing and clearly communicating the Council's purpose and vision and the outcomes it is seeking to deliver to the local area. The following describes how the Council achieves this:

- Each year the Council undertakes detailed consultation with its communities to inform the production of the Council Plan and Directorate outcome plans.

  Local Area Agreement (LAA) 2 finished as at March 2011 and was not replaced by a similar initiative. In light of this the Northamptonshire Partnership, which was created to ensure effective outcomes from LAA2 monies and of which the Council is a key member, is in the process of reviewing how it operates to ensure that it can continue to best support the interests of the people and businesses of Northamptonshire.

  The Council is closely engaged with the Health Service in Northamptonshire to prepare for the proposed changes in the delivery of Public Health Services and the advent of GP commissioning

- The Council has defined its Core Purpose that will help to focus our work to deliver for local people. The Core Purpose has 3 elements to it:

  - Helping you to help yourself.
  - Helping you when you can't help yourself.
  - Being a trusted advocate.

- The Council's Core Purpose forms part of the Council Plan. The Council Plan is a rolling four year plan which is reviewed and updated annually. The Plan is considered by Cabinet and formally approved by full Council and identifies a number of key outcomes, in respect of customers, finance and resources, processes and learning and growth, which we will seek to deliver in pursuit of delivering our Vision and Core Purpose. The Council Plan can be seen at http://www.northamptonshire.gov.uk/en/councilservices/Council/ppp/Pages/plans.aspx

- To ensure the Council delivers its plans, it operates a strong performance management framework which comprises:

  - The Council Plan, including the Corporate Strategy Map.
  - Directorate outcome plans, including balanced scorecards.
  - Personal performance and development plans for all staff.
  - Statements of required practice, which govern management practice in the Council, including the management of performance against plans.

- The Council Plan and directorate outcome plans identify specific service improvements to be delivered within defined timescales.

- On a quarterly basis overall performance is reported to the Corporate Management Team Performance Meeting, the Scrutiny Finance and Improvement Working Group and the Cabinet. The full details are in the public domain and published on the County Council's website.

- Communication of the Council's intentions has been achieved through proactive coverage in the media, including the 'You Choose' campaign which has continued to seek to obtain the public's view on the prioritisation of Council services. Regular internal communication with all staff has taken place, including a monthly 'core brief' and through the Pride programme to reinforce the Council Vision and encourage employees to act as one council.

Roles and Responsibilities of Members and Officers

Good governance means elected members and officers working together to achieve a common purpose with clearly defined functions and roles. The following describes how the Council achieves this:

- The Council is composed of 73 members elected every four years. All members meet together as the Council. The Council operates a Cabinet and elected Leader model of decision-making, supported by open and accountable working relationships between members and officers. The Council has an agreed Constitution which sets out how it operates, how decisions are made and the procedures which are to be followed to ensure that these are efficient, transparent and accountable to local people. This includes the defined responsibility for functions including the scheme of delegation, rules of procedure including financial regulations and contract procedure rules and Member and Officer Codes of Conduct. The full Council appoints a Leader of the Council for a four year term who then appoints a Cabinet as the Council's Executive. Overview and Scrutiny committees hold the Cabinet to account.

- The Council's Corporate Management Team (CMT), includes the Chief Executive and all senior (tier one) officers of the Council including Local Government Shared Service (LGSS) Directors of Finance and Organisational Development and Human Resources.

- The Council has in place policies and procedures to ensure that, as far as possible, its elected members and officers understand their respective responsibilities. New members and employees receive induction and continued training on key policies and procedures as these are developed within the Council.

- All Directors and Heads of Service (Assistant Directors from June 2011) have responsibility for maintaining a sound system of internal control and management processes within their area of responsibility. Each has provided appropriate assurance that processes are in place to ensure that policies, procedures, laws and regulations are complied with.

Standards of Conduct and Behaviour

Good governance means promoting appropriate values for the Council and demonstrating the values of good governance by upholding high standards of conduct and behaviour. The following describes how the Council achieves this:

- A Standards Committee is currently in place to review any complaints regarding members and to promote high standards of conduct and observance of the Members' Code of Conduct.

- The Council has a local Code of Corporate Governance. This code demonstrates a commitment to the principles of good governance and the importance of operating in an open and accountable manner while demonstrating high standards of conduct.

- The Councillor Code of Conduct defines the standards of conduct expected of elected representatives including a requirement for members to declare any interests at the start of every meeting, which are then recorded in a public register.

- The Employee Code of Conduct sets out managers' responsibilities to bring the Code to the attention of their staff (through induction, training and instruction), and their responsibility to take appropriate action if an employee fails to follow the Code. The Code is contained within the Human Resources Handbook which is available on the Council's intranet. The Code includes a requirement for officers of the Council to declare any conflicts of interest and/or gifts or hospitality, which are formally registered.

- The Council has Anti Fraud and Corruption, Whistle blowing and Money Laundering policies in place.

- The LGSS Director of Legal Services is the Solicitor to the Council and the Interim Head of Corporate, Commercial & Litigation is the Council's Monitoring Officer. The Monitoring Officer has responsibility for maintaining the Constitution and supports the Standards Committee.

- The Council's financial management is conducted in accordance with the Budget and Policy Framework Procedure Rules, Financial Procedure Rules, and Contract Procedure Rules. These rules set out the framework within which the Council conducts its financial affairs and ensures proper financial arrangements are in place.

- Full Council approves a balanced budget before the start of each financial year. This includes the Medium Term Financial Plan. During the year financial management information is reported to Directorate Management Teams, the CMT, Cabinet and Scrutiny.

- The Chief Financial Officer role, required by Section 151 of the Local Government Act 1972 and other relevant legislation, was fulfilled by the Assistant Chief Executive Finance and Commercial Management (ACEFCM) up until the appointment of a Head of Finance in February 2011, as part of the shared service arrangements with Cambridgeshire County Council. The S151 Officer is responsible for the preparation and publication of the Council's Statement of Accounts and ensures that they conform to all statutory and professional requirements, codes of practice and deadlines. The S151 Officer reports to the LGSS Director of Finance who is also an experienced finance professional.

- The S151 Officer is also responsible for ensuring that there is an adequate and effective system of internal audit of the Council's accounting records and of its systems of internal control.

Decision Making, Scrutiny and Risk Management

Good governance means taking informed and transparent decisions that are effectively scrutinised and manage risk. The following describes how the Council achieves this:

- The Leader and Cabinet are responsible both individually and collectively for all executive decisions. Operational matters requiring a decision are delegated to council officers as outlined in Part Three of the Constitution – Responsibility for Functions.

- Forthcoming key decisions by the Cabinet are published in the Cabinet's Forward Plan. The Forward Plan is reviewed on a monthly basis by the Corporate Leadership Team and the Scrutiny Management Committee.

- Overview and Scrutiny committees have the power to review and/or scrutinise decisions made or actions taken in connection with the discharge of any of the Council's functions.

- The Council maintains an Internal Audit and Risk Management division that operates in accordance with the Code of Practice for Internal Audit in Local Government in the United Kingdom. The Head of Internal Audit and Risk Management reports directly to the LGSS Director of Finance and has direct access to the Chief Executive, the S151 Officer, CMT, Members and the independent Chair of the Audit Committee.

- The independent Chair of the Audit Committee is a Chartered Accountant with vast experience in finance/financial scrutiny. The Chair also attends as an observer and on occasions as an active participant at meetings of the Council, Cabinet and Overview and Scrutiny.

- The Internal Audit Division plans and prioritises its work using a risk based auditing approach and seeks to programme work based on risk, strength of control and materiality. Internal Audit makes recommendations for improving the internal control environment and part of its work includes monitoring agreed action plans. The remit of Internal Audit also includes ensuring compliance with established policies and procedures, particularly financial and

contract procedures. Reports, including an assessment of the adequacy of control and action plans to address weaknesses, are submitted to Assistant Chief Executives and Corporate Directors (directors from June 2011), School Heads, Chairs of Governors, the Audit Committee and the Chief Executive.

- The Council has in place a risk management process underpinned by an approved Risk Management Policy and a Risk Management Statement of Required Practice (SORP). The Council maintains both Strategic and Operational Risk Registers which are subject to regular formal review as outlined within the Risk Management SORP. Significant corporate risks faced by the Council are presented to CMT. The Audit Committee reviews significant corporate and directorate risks on a quarterly basis and will draw areas of specific concern to Cabinet where appropriate.

Developing Capacity and Capability of Members and Officers

Good governance means developing the capacity and capability of Members and Officers to be effective. The following describes how the Council achieves this:

- The Councillor Development Steering Group (CDSG) with both member and officer representation gave consideration to the content of the training programme for members up until May 2011. From June 2011 the newly formed Councillor Services and Governance Working Group will take responsibility for ensuring that members are kept fully up to date with matters of local concern to Northamptonshire County Council and to national changes and demands and to ensure that members are equipped with the necessary skills to carry out their roles.

- A formal performance appraisal and development programme operates within the Council through which the development needs of staff are identified and met as appropriate. There is an induction programme for new staff.

- A Personal Development Planning procedure is now in place for councillors based upon a political skills framework which provides information to help to shape the councillor development programme. An appraisal process has also been piloted with scrutiny councillors. There is an induction programme for new councillors.

Engaging with Local People and Stakeholders

Good governance means engaging with local people and other stakeholders to ensure robust public accountability. The following describes how the Council achieves this:

- The Council continuously consults and engages local people and communities in a wide range of ways on a wide range of important issues. Steps have been taken in recent years to make it easier for the public, councillors, staff and partners to find out at any one time details of consultations the Council has undertaken, is undertaking or plans to undertake and how it is possible to get involved in such consultations. This includes a ‘consultation alert’ facility to enable local people and community groups to sign up to be automatically notified by email when a new consultation is added to the Consultation Register.

- During 2010-11 the Council has continued to develop its consultation and engagement with local people using a range of groups, tools and mechanisms to give local people the opportunity to have their say as part of the decision-making process to decide Council priorities, to set Council spending, to monitor and improve services, to test new proposals and ideas and to improve the local area. Key elements of the improved consultation and engagement process are:

    - The ‘You Choose’ campaign operated throughout the difficult budget setting process for 2011-12, using a wide range of innovative methods to involve as many local people as

possible, including; focus groups, road shows, ‘VideoQube’ interviews, toolkits, comment cards, ‘Graffiti Wall’, children and young peoples event, hard to reach events, interactive website and a media campaign.

- Partner organisations, residents and tenants associations, local infrastructure organisations, representative equality groups, business community, MPs and MEPs were also invited to give their views on the proposals.
- The ‘You Choose’ campaign was highly commended for campaign of the year at the Chartered Institute of Public Relations Local Public Services Excellence in Communications Awards 2010. Additionally Ofsted and the Care Quality Commission stated that t*he ‘You choose’ campaign is aimed at ensuring that children and young people are at the heart of the Council’s corporate and communication strategy. As a result, children and young people in Northamptonshire are listened to and consulted well.’*

- Children and young people in Northamptonshire have been involved in a number of initiatives where their views were used to shape decisions and policy. The issues addressed by these initiatives included; the Children and Young People’s Plan, sex and relationships education DVD, charter of involvement, commissioning, money for youth, aiming high working with children and young people with disabilities, 11 million take over day, smoking conference and anti-bullying.

- Users, carers and interested parties have been involved in a wide range of activities to improve and develop services for health and adult social services over 2010-11. These activities included reviews of; Health and Adult Social Services information, community equipment, reimbursement guidance, personal support and care services (domiciliary care), fairer charging, assisted transport policy.

The consultation area of the website was cited as ‘best practice for participation and use of consultations’ by The Society of Information Technology Management in its Better Connected report 2011.

- The Council has approved a partnership protocol which is designed to ensure effective governance arrangements operate in partnerships in which the Council is engaged. The Council also operates a Protocol for the Appointment of Councillors and Officers to Outside Bodies.

- The Council’s website includes links to other local and national consultations so that local people can access as many details of consultations affecting the local area as possible from one place.

Review of Effectiveness

The Council has responsibility for conducting at least annually, a review of the effectiveness of its governance framework, including the system of internal control. This review is informed by the work of the executive managers within the Council who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit’s annual report and comments by the External Auditor and other review agencies and inspectorates.

The key evidence to support the review of effectiveness is outlined below:

1. Planning

There is a clear vision of the outcomes which the Council wants to achieve for local people as a local Council, as set out in the Council Plan, the LAA (to March 2011) and through Directorate outcome plans.

The Council operates a planning process which integrates all aspects of strategic, operational and financial planning which has the full involvement of the Cabinet and all senior managers of the Council. This should ensure its financial plans realistically support the delivery of its priority outcomes and strategy obligations in the short and medium terms.

The budget preparation process for 2011-12 was subject to robust challenge through the Star Chamber process.

2. Performance Management

The Performance Management approach ensures that performance within the Council is formally monitored through the quarterly Corporate Performance Report which is considered by the Corporate Management Team. The report contains actual performances against target performance indicator levels which are aligned to our corporate outcomes and partnership priorities and is cascaded into service plans and supporting scorecards. The report also tracks progress against budget, major projects, risks, staffing matters and includes Health and Safety performance data. Key performance data is subsequently reported to Cabinet.

Additionally there is a performance management process operating at all levels of the organisation including the management of personal performance through the Personal Performance and Development Plan process.

3. The Cabinet

The Cabinet is responsible for key decisions. The Cabinet makes decisions that are in line with the Council's overall policies and budget. If Cabinet wishes to make a decision that is outside the budget or Policy Framework, this must be referred to full Council. The Cabinet receives regular monitoring reports on key aspects of control including performance and financial management.

4. Overview and Scrutiny Committees

The Council has appointed the Overview and Scrutiny committees (Scrutiny Committees) to discharge the functions conferred by section 21 of the Local Government Act 2000. Scrutiny committees oversee and scrutinise the decisions made by the Cabinet and Cabinet members under delegated powers.

5. The Standards Committee

The Standards Committee promotes and seeks to maintain high standards of conduct by monitoring the operation of the Members Code of Conduct. The outstanding complaint referred to in the 2009-10 Annual Government Statement was concluded in November 2010. It was determined that the Councillor Code of conduct had not been breached
5 further complaints were made during 2010-11, which are in the process of being investigated by the Monitoring Officer.

6. The Audit Committee

The Council has an Audit Committee that provides independent, effective assurance about the adequacy of the Council's governance environment. All major political parties are represented on the Audit Committee and it has an independent Chair who is an experienced Chartered Accountant.

The Audit Committee met regularly during 2010-11, considering reports from the Head of Internal Audit and Risk Management, the Council's senior finance officer and the External Auditor.

7. Statutory Officers

The statutory functions undertaken by the Head of Paid Service, Monitoring Officer, S151 Officer, Corporate Director of Children and Young People's Services (to May 2011), Corporate Director of Health and Adult Social Services (to May 2011) and Director of Adult and Children's Service from (June 2011) were effectively fulfilled during 20010-11 and up to the date of this report.

During 2010-11, the role of S151 Officer was transferred to the Head of Finance following the introduction of LGSS. The Head of Finance is directly accountable to the LGSS Director of Finance.

8. Management

Directors have provided assurance through the Directors Assurance Certificates that:

- They fully understand their roles and responsibilities.
- They are aware of the principal statutory obligations and key priorities of the Council which impact on their services;
- They have made an assessment of the significant risks to the successful discharge of the Council's key priorities.
- They acknowledge the need to develop, maintain and operate effective control systems to manage risks.
- Heads of Service have provided their assurance on the key elements of risk and control.

Directors have confirmed that all significant internal control matters reported by Internal Audit have been appropriately addressed.

9. Internal Audit

The Council takes assurance about the effectiveness of the governance environment from the work of Internal Audit, which provides independent and objective assurance across the whole range of the Council's activities. It is the duty of the Head of Internal Audit to give an opinion, at least annually, on the adequacy and effectiveness of internal control within the Council. This opinion has been used to inform the Annual Governance Statement.

The Head of Internal Audit and Risk Management provided his annual report to the Audit Committee on 20th May 2010, which was further circulated to members of the Corporate Management Team. This report outlined the key findings of the audit work during 2010-11 including areas of significant weakness in the internal control environment.

An assurance scoring mechanism is used to reflect the effectiveness of the Council's internal control environment. The table below details all levels of assurance available.

Assurance Level	Assurance Criteria
Full	There is a sound system of control designed to address the relevant risks with controls being consistently applied.
Substantial	There is a sound system of control, designed to address the relevant risks, but there is evidence of non-compliance with some of the controls.
Moderate	Whilst there is basically a sound system of control, designed to address the relevant risks, there are weaknesses in the system, that leaves some risks not addressed and there is evidence of non-compliance with some controls.
Limited	The system of control is weak and there is evidence of non compliance with the controls that do exist which may result in the relevant risks not being managed.
None	There is no system of internal control. Risks are not being managed.

It is the opinion of the Head of Internal Audit and Risk Management that, taking into account all available evidence, the adequacy and effectiveness of the Council's overall internal control environment during the financial year 2010-11 remains between moderate and substantial. The trend of the general strengthening of the control environment relating to the key financial systems has continued from 2009-10. However, concerns remain in respect of the adequacy and maturity of the IT related control. Actions have been agreed with the LGSS Director of Operations to improve the IT control environment.

10. Review of Internal Audit

The Council's External Auditor stated in its Interim Audit letter, as presented to the Audit Committee in May 2011, that Internal Audit was compliant with the Code of Practice for Internal Audit in Local Government.

11. External Audit

KPMG LLP is currently the Council's appointed External Auditor. As well as an examination of the Council's financial statements, the work of the Council's External Auditor includes an assessment of the degree to which the Council delivers value for money in its use of its resources

12. Risk Management

The Council managed its risks during 2010-11 in accordance with the approved Risk Management Policy and the Risk Management Statement of Required Practice (SORP). The Corporate Management Team and Directorate Management Teams formally considered risk on a quarterly basis. Details of corporate and directorate risks were considered as part of the Corporate Performance Report. Quarterly risk reports were submitted to the Audit Committee which included details of key corporate and directorate risks.
A refresh of the corporate risks faced by the Council was undertaken at a Corporate Liaison Team (Cabinet and Corporate Management Team) meeting in March 2011. This refresh process ensured an up to date view of the main risks faced by the Council and a common understanding of them by Cabinet and Corporate Management Team.

The indicative Internal Audit Plan for 2011-12 presented to the Audit Committee in February 2011 is based upon the key risks faced by the Council as identified in the Corporate and Directorate risk registers, such that Internal Audit will provide assurance on the effectiveness of the internal control framework during 2011-12.

Significant Governance Issues

Based on the Council's established risk management approach, the issues detailed below have been assessed as being significant for the purpose of the 2010-11 Annual Governance Statement. We will over the coming year take appropriate steps to address these matters and further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Identified From	Issue	Description	Responsible Officer
Corporate Risk Register	Internal control	The functionality and reporting ability aspects of the case management project to be completed	Director of Adult and Children's Services
Annual Internal Audit Report	Internal control	Access controls over Carefirst and Oracle ERP to be improved	Director of Adults and Children's Services. Director of Operations
Annual Internal Audit Report	Internal control	Enhancements to controls over inspections of plant and equipment operating in Council buildings	Head of Property asset Management
Council Plan	Internal control	Improved accountability and performance culture to be put in place	Assistant Director Business Intelligence and Performance
Director Assurance Statement	Internal control	All managers within Children's Services to be enabled and competent in the use of budget monitoring software	Director of Adult and Children's Services

PROGRESS AGAINST ACTIONS IDENTIFIED IN THE 2009-10 STATEMENT (Including actions shown as ongoing in respect of the 2008-09 Statement)

Northamptonshire County Council stated that it was committed to undertake 5 actions to improve its governance during the course of the 2010-11 financial year. Additionally 1 action in respect of the 2008-09 Annual Governance Statement was shown as ongoing in the 2009-10 Statement. The specific actions stated and the progress made by the Council against these actions is as identified within the table below.

ANNUAL GOVERNANCE STATEMENT ACTION	CURRENT STATUS
1. Recommendations arising from reviews within Environment, Commissioning and Growth will be implemented in 2009-10	Complete
2. The Council's revised Constitution was approved by Council in February 2010. Actions will be undertaken during the remainder of 2010 to ensure that the requirements of the Constitution are understood and complied with across the Council This will include:	
• Councillor and officer training and awareness	Complete
• Review of Partnership Arrangements	This action was replaced by action 3 below
• Review of Meeting Procedural Rules	Complete
• Ethical Governance Review	Complete
3. A review will be undertaken by the Head of Corporate Governance to evaluate the Council's representation on external bodies. Post review the adequacy of the governance arrangements of these external bodies will be assessed.	Complete
4. The Council's Anti-Fraud and Corruption and Whistle blowing policies will be refreshed	Complete
5. A project to enhance case management systems will be undertaken	Initial stages of project completed. Later stages reflected in list of significant governance issues in respect of 2010-11 as detailed above
6. An improvement plan will be completed in respect of the security of a number of software applications	Encryption controls implemented Access control improvements detailed in action plan for 2010-11 as above

Conclusion and Evaluation

As Leader and Chief Executive, we have been advised of the implications of the results of the review of the effectiveness of the Council's governance framework.

Our overall assessment is that this Annual Governance Statement is a balanced reflection of the governance environment and that an adequate framework exists within Northamptonshire County Council to ensure effective internal control is maintained.

We are also satisfied that there are appropriate plans in place to address the weaknesses and ensure continuous improvement in the system of internal control.

Councillor Jim Harker
Leader of the Council
Date: 25th June 2011

Paul Blantern
Chief Executive
Date: 25th June 2011

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Northamptonshire Fire & Rescue Services Firefighters’ Pension Fund Statement

Northamptonshire Fire & Rescue Service
Fire-fighters' Pension Fund Statement for year ending 31 March 2011
Fund Account

March 2010		Note	March 2011	
£			£	£
	Income to the Fund:-			
	Contributions receivable:-			
	From Employer			
1,898,478	Normal	7	1,904,316	
0	Early Retirements		0	
0	Ill Health	8	0	
1,019,308	From Members	9	1,037,280	2,941,596
	Transfers in:-			
39,664	Individual transfers in from other schemes		316,758	316,758
	Benefits payable:-			
(3,755,619)	Pensions including ill health		(3,858,831)	
(1,121,209)	Commutations and lump sum retirement benefits		(426,870)	(4,285,702)
	Payments to and on account of leavers:-			
0	Individual transfers out to other schemes			(76,565)
(1,919,377)	**Net amount payable for the year**			(1,103,912)
1,919,377	**Top up grant receivable from Central Government**			1,103,912
0				**0**

Net Assets Statement

March 2010		Note	March 2011
£			£
	Net current assets and liabilities:-		
843,133	Top up grant receivable from Central Government	10	373,103
(146,422)	Amount payable to Central Government	11	0
(696,711)	Amount owing to NCC General Fund		(373,103)
0			**0**

Notes to the Fire-fighters Pension Fund Statement

1. This statement has been prepared in accordance with the Code of Practice on Local Council Accounting in Great Britain.

2. Two pension schemes operate within the fund, the 1992 scheme and the 2006 scheme.

3. The fund is administered and managed according to the statutory requirements set out in the 1992 and 2006 scheme legislation.

4. The Fire-fighters Pension Schemes are unfunded and as such have no investment assets. They are funded through employee and employer contributions and Government grant.

5. All Fire-fighter pension related benefits are charged to the Fire-fighter Pension Fund Account with the exception of costs relating to non member retirement on ill health grounds and all costs relating to injury pensions, which are charged to the Fire Service Operating Account (revenue). The exceptions are shown in note 27 of the notes to the NCC Revenue Account, “Pension Costs”.

6. The Fund Account captures income and liabilities relevant to the period shown and therefore does not take account of liabilities to pay pensions and other benefits after the period end.

7. Normal employer contributions are made as follows:
1992 scheme 21.3% of pensionable pay
2006 scheme 11.0% of pensionable pay

8. For any retirement on ill health grounds the Fire Service is required to make a payment to the Pension Fund from its revenue account. This is payable over 3 years. There were no retirements of scheme members on ill health grounds in 2010-11. Therefore no charge applies.

9. Members contributions are made as follows:
1992 scheme 11.0% of pensionable pay
2006 scheme 8.5% of pensionable pay

10. The surplus/deficit on this account is refunded to or received from the Government Sponsoring Body (Central Government). We received top up grant of £730,809 in 2010-11 and are due a further £373,103.

11. These accounts have been prepared on an accruals basis.

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Northamptonshire Local Government Pension Scheme Accounts

Northamptonshire Local Government Pension Scheme Accounts
Introduction
These accounts report on the financial transactions of the Fund from 1 April 2010 to 31 March 2011, and the position of its assets at the end of that period.

The accounts aim to give the general reader a summary of these activities. If you have a specialist interest in this area, you will find more information about these accounts in the Northamptonshire County Council Pension Scheme Annual Report**.**

The report is available from:
Paul Tysoe, Group Accountant - Pensions
John Dryden House
8-10 The Lakes
Northampton
NN4 7YD
Phone: 01604 236481
E-mail: phtysoe@northamptonshire.gov.uk
Alternatively go to:-
http://www.northamptonshire.gov.uk/pensions

The Pension Fund financial statements provide information about the financial position performance and financial adaptability of the Fund. They are intended to show the results of the stewardship and management, that is the accountability of management for the resources entrusted to it, and of the disposition of its assets at the period end. The only items that are required to be excluded by regulations are liabilities to pay pensions and other benefits in the future, which are reported upon in the actuary's statement.

These accounts have been prepared with the Code of Practice for Local Council Accounting in Great Britain and with the guidelines set out in the Statement of Recommended Practice "Financial Reports of Pension Schemes" (SORP) (Revised November 2002); except for additional voluntary contributions.

It should be noted that the Northamptonshire Local Government Pension Scheme covers eligible employees in the County Council, the Police Council, District and Borough Councils and a number of other bodies. Hence, the "other employees" pension figures shown in the County Council's accounts form only one element of those figures shown in the Pension Fund accounts.

The Fund Account disclosed the magnitude and character of financial transactions and changes in the value of the Fund during the period. These transactions are identified as being other Contributions and Benefits or Returns on Investments (including investment income and profit and losses investment). The net Fund increase or decrease is reconciled to the net assets of the scheme.

The Net Asset Statement discloses the size and distribution of the net assets of the Fund at the end of the financial year.

The notes to the Accounts provide further explanation and breakdown of the figures included in the Fund Account and the Net Asset Statement.

There are more details in the Statement of Accounting policies (pages x to x) and Note 28 within the Notes to the Core Financial Statements (page x).

Investments are shown in the Statement of Net Assets at Market Values. The investments were managed by ten fund managers. At 31 March 2011 the fund manager structure was:

Holding
UK Equity Managers 34.5%
UBS
Majedie
Overseas Equities 34.5%
Alliance Bernstein
Newton
Fixed Interest 18%
Aberdeen
UBS
Property 8%
RREEF
CBRE
UBS
Hedge Funds 5%
Fauchier
Partners

The fund manager structure reflects a diversified portfolio of managers and asset classes as recommended by best practice.

Fund Account and Net Asset Statement

2009-10 £000		Note	2010-11 £000	2010-11 £000	2010-11 £000
	Contributions	(3)			
69,169	Employers' contributions		62,986		
19,883	Employees' contributions		21,445		
	Employees' added years for additional benefit		300		
205	Employers' augmentation		0		
	Transfers in				
13,433	Individual transfers in	(4)	8,076		
103,035				**92,807**	
	Benefits payable				
(1,284)	Death benefits		(1,848)		
(14,514)	Lump sums	(5)	(14,139)		
(47,361)	Pensions		(49,442)		
	Payments to and for leavers				
(19)	Return of contributions		(10)		
(10,792)	Individual transfers out	(4)	(9,476)		
(2,875)	**Administration expenses**	(6)	(3,006)		
(76,845)				**(77,921)**	
26,190	**Net additions from dealing with Members**				**14,886**
	Returns on investments				
52,485	Net profit on sales		33,834		
225,424	Net increase in unrealised loss	(7)	32,318		
277,909	Change in market value of investments			**66,152**	
	Investment Income				
31,340	Investment Income	(8)	26,327		
(3,824)	Investment Managers' Fees	(6)	(3,645)		
27,516				**22,682**	
305,425	**Net returns on investments**				**88,834**
	Net (decrease)/ increase in the Fund				**103,720**
868,490	**Net assets of the Fund at the start of the year**				**1,200,104**
1,200,104	**Net assets of the Fund at the end of the year**				**1,303,824**

Net Asset Statement as at 31 March 2011

2009-10 £000		Note	2010-11 £000	2010-11 £000
	Investments at market value			
56,229	Fixed-interest securities	(11)	100,972	
39,382	Index-linked securities	(11)	42,964	
625,832	Equities	(11)	823,989	
431,458	Pooled Investment Vehicles	(11)	310,895	
(200)	Derivatives	(11)	(554)	
60,071	Cash deposits	(11)	22,325	
(20,935)	Other Investment Balances	(11)	(528)	
1,191,837				**1,300,062**
	Current assets			
	Debtor			
9,047	Contribution due from employers	(12)	4,452	
2,850	Others		3,842	
0	Pension Fund Cash		4	
(88)	Cash with Northamptonshire County Council		(82)	
11,985				**8,216**
	Current liabilities			
	Creditors	(12)		
(2,818)	Unpaid Benefit		(3,149)	
(900)	Others		(1,305)	
(3,718)				**(4,454)**
8,267	**Net current assets**			**3,762**
1,200,104	**Net assets**			**1,303,824**

The accounts summarise the transactions of the Scheme and deal with the net assets at the disposal of the Pension Fund Committee members. The accounts do not take account of the obligation to pay future benefits which fall due after year end. The actuarial position of the Scheme which takes into account these obligations is dealt with is available on Northamptonshire County Council's website, *http://www.northamptonshire.gov.uk/pensions.*

Matt Bowmer
Section 151 Officer — **30 June 2011**

NOTES TO THE ACCOUNTS

The Head of Finance and Section 151 Officer is responsible for:

- The preparation of the accounts for Northamptonshire Pension Fund to present fairly the financial position at the accounting date and its income and expenditure for the year.
- Making reasonable and prudent judgements and estimates.
- Complying in all material aspects with the Code of Practice on Local Authority Accounting in Great Britain Pension Fund and applying accounting policies consistently.
- Keeping proper, up to date, accounting records.
- Taking reasonable steps for the prevention and detection of fraud and other irregularities.
- The administration of pension benefits.

The new Pensions SORP (The Financial Reports of Pension Schemes – A Statement of Recommended Practice (2007)) has been incorporated into the 2008 edition of the Code of Practice on Local Authority Accounting. The Pension Fund financial statements have been prepared in accordance with the provisions of Chapter 2 Recommended Accounting Practice of the Pension SORP 2007. As a result amendments to disclosures and presentation have been made and where appropriate prior year comparatives have been amended.

1. Accounting Policies

The accounts have been prepared in conjunction with all relevant sections of the Pensions SORP.

(a) Contributions and benefits are included in the accounts on an accruals basis.
(b) Transfer values have been recorded on the basis of amounts receivable or payable as at 31 March.
(c) Interest and dividends are included in the accounts on an accruals basis.
(d) Investments including listed securities, property and unit trusts are included in the accounts at market value (Bid price). These prices are determined by the custodian using several sources including Exshare, Telekurs, Reuters, FT Interactive Data and Bloomberg.
(e) Unquoted securities are valued having due regard to the latest dealings, professional valuation, asset values and other appropriate financial information.
(f) Fixed interest securities are stated at their clean prices. Accrued income is accounted for within investment income.
(g) Pooled Investment Vehicles are stated at bid price for funds with bid/offer spreads, or single price where there are no bid/offer spreads, as advised by investment managers.
(h) Additional Voluntary Contributions (AVC) investment valuations are provided by the AVC providers Prudential Assurance and Standard Life.
(i) **Taxation**

The fund pays VAT collected on income in excess of VAT payable on expenditure to HM Customs and Excise. The accounts are shown exclusive of VAT.

The fund is exempt from tax on capital gains and from income tax on interest receipts.
The fund is liable to tax at a rate of 20% on small pensions that have been compounded into a lump sum.
The fund is exempt from US withholding tax.

The Fund receives interest on its overseas bond gross, but a variety of arrangements apply for the taxation of dividends on overseas equities in the various markets. Where relief is available, it may be either in full at sources, or partial relief by claim.

In some markets (Finland, Japan, Canada, Italy, Norway and Sweden) tax is deducted at the treaty rate so that no further adjustment is required, and there are also markets

(Malaysia and Singapore) where no double taxation agreements exist and the full amount is payable.

j) **Invest Management Expenses**
The investment managers are paid quarterly fees in arrears based on the market value of the investments managed at the end of each quarter. Performance fees are payable to Majedie Asset Management, Fauchier and Partners based upon the performance of their mandate.

k) **Gains and Losses**
Gains and losses are reflected on an average calculation basis.

l) **Administrative Expenses**
There is a dedicated Pensions Admin team, whose costs are recharged to the Fund.

m) **Foreign Currency Translation**
Investments held in foreign currency are translated into sterling at the exchange rate as at the date of valuation.

n) The **Statement of Investment Principles** is available on the Northamptonshire County Council's website, *http://www.northamptonshire.gov.uk/pensions*.

2. Long Term Liabilities

The accounts summarise the transactions of the scheme and deal with the net assets at the disposal of the trustees. The accounts do not take account of the liabilities to pay future benefits. They should therefore be read in conjunction with the Report of the Actuary which takes such liabilities into account, available on the Northamptonshire County Council's website, *http://www.northamptonshire.gov.uk/pensions*.

3. Contributions

All accruals for contributions owed by employers have subsequently been received.

The decrease in employers' contributions from 2009-10 to 2010-11 predominantly relates to early retirement costs. Repayment of early retirement costs were spread by employers over a period of three years. The receipts for 2009/2010 represent repayment of these costs going back to 2007/2008. This would now exclude the early retirements now fully paid for resulting from Northamptonshire's Medium Term Plan and restructure of senior management which resulted in a high number and high early retirement costs, in 2007-10.

Employees' added years for additional benefit as at 31st March 2011 (£300k) have decreased over 31st March 2010 (£345k). Following a change in regulations, not only are they more expensive, but Additional Voluntary Contribution's (AVC's) have proven to be a more popular way of investing, rather than increasing contributions into the scheme.

Employers' augmentation as at 31st March 2011 (£0k) has decreased over 31st March 2010 (£205k) due to the reducing trend of employers giving additional service due to changes in policy and legislation.

The following tables show the breakdown of contributions and benefit payments by Administering Authority, Admitted Bodies and Scheduled bodies.

Analysis of Contributions – 2009-10

	Employers contributions	Employees contributions	Employees additional contributions	Total
	£000	£000	£000	£000
NCC	27,385	7,998	114	35,497
Admitted Bodies	3,320	1,179	17	4,516
Scheduled Bodies	38,000	10,706	218	48,924
Total	68,705	19,883	349	88,937

Analysis of Contributions – 2010-11

	Employers contributions	Employees contributions	Employees additional contributions	Total
	£000	£000	£000	£000
NCC	23,609	9,807	88	33,504
Admitted Bodies	3,529	1,049	14	4,592
Scheduled Bodies	35,848	10,589	198	46,635
Total	62,986	21,445	300	84,731

Analysis of Benefits – 2009-10

	Death Grants	Lump Sums	Pensions	Total
	£000	£000	£000	£000
NCC	826	6,153	21,625	28,604
Admitted Bodies	121	758	1,371	2,250
Scheduled Bodies	337	7,603	24,365	32,305
Total	1,284	14,514	47,361	63,159

Analysis of Benefits – 2010-11

	Death Grants	Lump Sums	Pensions	Total
	£000	£000	£000	£000
NCC	1,003	5,417	22,535	28,955
Admitted Bodies	238	1,712	1,587	3,537
Scheduled Bodies	607	7,010	25,320	32,937
Total	1,848	14,139	49,442	65,429

4. Transfers
2008/2009 was a period where many changes occurred in respect of actuarial tables used to calculate transfers of benefits both within this Scheme and other pension schemes creating a backlog of transfers to be resolved. 2009/2010 saw the transfer backlog addressed by this scheme resulting in higher than usual number of transfers finalised for that year.

5. Lump Sums

The reduction in lump sums from 31st March 2010 (£14.5m) to 31st March 2011 (£14.1m) is due to the ceasing of automatic accrual for lump sums from 1st April 2008.

6. Administration Expenses and Investment Managers' Fees

2009-10 £000		2010-11 £000
	Administration expenses:	
1,800	Pensions administration	1,900
270	Actuarial services and investments	347
488	Investment expenses	605
141	Audit fees	34
176	Other Costs	120
2,875		3,006
3,824	Investment managers' fees	3,645
6,699	Total	6,651

2009-10 included audit fees for 2008-09 and 2009-10. Additionally, fees were reduced in 2010-11 following an Audit Commission review and revision of scale fees for pension funds.

Investment Manager fees are dependant on the value of assets held and performance.

Fund Manager Fees Not Shown in the Accounts

Fund managers that work through pooled arrangements take their fees at source from the pooled fund and therefore the fees do not go through the Fund's accounts. The nominal values of fees are:

	£000s
Catapult Growth Fund	37
East Midlands Regional Venture Capital Fund	30
Jubilee Absolute Return Fund Class GBP B	314
RREEF UK Core Property Fund	100
RREEF UK Ventures Property Fund No. 2 Exempt Unit Trust	5
	486

7. Increase in value of unrealised profits

	£000s	£000s
Market value of investments at 31.3.11	1,300,062	
Investments at cost at 31.3.11	1,195,207	
Unrealised loss		104,855
Market value of investments at 31.3.10	1,191,837	
Investments at cost at 31.3.10	1,119,300	
Unrealised profit		72,537
Increase in value of unrealised profit		32,318

The increase in value of unrealised gain of £32,318k represents the change in the unrealised profit between the opening and closing position of the market value of investments and the cost of these investments.

Unrealised profit reflects assets held by the Fund, however profits are only realised when actually sold. This reflects the investment performance of the Fund in the 2010-11 financial year.

8. Analysis of investment Income

Investment Income for the years ended 31st March was received from the following sectors.

2009-10 Interest and Dividend		2010-11 Interest and Dividend
£000		**£000**
3,127	Interest from fixed-interest securities	1,245
20,961	Dividend from equities	17,544
542	Income from Index-linked securities	327
	Income from Pooled Investment Vehicles	
2,397	Unit Trust Fixed Interest	4,261
2,555	Property Unit Trusts	2,651
5,492		**6,912**
929	Interest from Cash deposits	
232	Stock Lending	140
5	Commission Recapture	3
52	Venture Capital	156
31,340		**26,327**

9. Stock Lending

Income of £139,760 was earned from stock lending activities, undertaken on behalf of the Fund by Northern Trust, the Fund's global custodian. This income is the premium paid by third parties who borrow stock held by this Fund. Collateral stock is held to safeguard the Fund's assets. Lending is limited to 35% of the stock held by the Fund, although actual activity in 2010/11 averaged 9%.

As at 31 March 2011 the value of stock loaned to third parties was £38.8m against collateral held of £41.8m, more information on this is shown below.

31-Mar-10	**Analysis by Asset Class of securities on loan:**	31-Mar-11
£000		£000
	Investments at market value	
7,390	Fixed-interest securities	8,598
15,835	Equities	30,187
23,225	**Total Securities on loan**	**38,785**

31-Mar-10	**Analysis of Collateral:**	31-Mar-11
£000		£000
	Investments at market value	
0	Certificates of Deposit	0
2,248	Delivery-By-Value Gilts	5,627
0	Delivery-By-Value Equities	1,385
2,035	Equities	5,084

20,219	Government Fixed	27,779
0	Letters of Credit	0
1	UK Gilt	1,937
24,503	**Total value of Collateral**	**41,812**

10. Commission Recapture

Income of £2,551 was earned from Commission recapture activities, undertaken on behalf of the Fund by Lynch Jones and Ryan, specifically appointed by the Fund to undertake this role. This relates to "recapturing" commission regarding research and development costs paid to third party brokers, whose sole role is to buy and sell stock on behalf of the Fund manager.

11. Venture Capital Income

The income of £155,880 reflects income from the East Midlands Regional Capital Fund No1 LP.

The Fund holds two Venture Capital investments both with Catapult Venture Managers, being:

	£
East Midlands Regional Venture Capital Fund No1LP.	860,557
Catapult Growth Fund LP	703,672
Total	1,564,229

These funds are small private equity commitments with a total potential drawdown of £4m. Feedback from Catapult Venture Managers indicates an Internal Rate of Return (IRR) of 10%.

12. Investment transactions during the year

	Bid Market Value as at 31 Mar 2010	Purchases and derivative payments	Sales and derivative receipts	Capital Change (Corporate Action)	Security Transfers at Book Cost	Realised Gain/Loss	Change in Unrealised Gain/Loss	Reclassifications	Bid Market Value as at 31 Mar 2011
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Fixed Interest Securities									
Fixed Interest Govt – UK	33,484	21,763	-20,967	-1,540	0	671	1,058	0	34,469
Fixed Interest Other – Overseas	2,888	1,300	-1,757	39,600	0	123	2,559	0	44,713
Fixed Interest Other – UK (Unlisted)	19,857	41,321	-39,728	0	0	96	244	0	21,790
	56,229	**64,384**	**-62,452**	**38,060**	**0**	**890**	**3,861**	**0**	**100,972**
Index Linked Securities									
Index Linked Bonds Public Sector – UK	19,654	5,530	-4,920	0	0	107	889	0	21,260
Index Linked Bonds – UK	19,729	41,044	-40,383	0	0	56	1,258	0	21,704
	39,383	**46,574**	**-45,303**	**0**	**0**	**163**	**2,147**	**0**	**42,964**
Equities									
Equities – UK	293,663	120,611	-115,144	26	0	10,194	191	-1,514	308,027
Equities – UK (Unlisted)	6,641	161,770	0	780	0	0	205	-780	168,616
Equities – Overseas	325,527	251,601	-207,811	-40,803	0	17,447	-3,293	1,514	344,182
Equities – Overseas (Unlisted)	0	3,730	-1,008	0	0	17	425	0	3,164
	625,831	**537,712**	**-323,963**	**-39,997**	**0**	**27,658**	**-2,472**	**-780**	**823,989**
Managed Funds									
Managed Funds Property	61,315	18,055	-6,101	-68	-662	0	4,749	780	78,068
Managed Funds Equity – UK	69,261	28,029	-29,861	0	-37,182	4,574	10,538	0	45,359
Managed Funds Equity – Overseas	132,169	58,841	-207,257	0	37,182	9,738	1,512	0	32,185
Managed Funds Fixed Income – UK	111,293	2,434	-240	0	0	-19	6,633	0	120,101
Managed Funds Fixed Income – Overseas	2,982	831	-675	0	0	282	-313	0	3,107
Managed Funds Hedge Funds	54,437	153	-23,268	0	0	-5,132	5,884	0	32,074
	431,457	**108,343**	**-267,402**	**-68**	**-662**	**9,443**	**29,003**	**780**	**310,894**
Derivatives									
Futures Fixed Interest – UK	0	0	-238	0	0	238	-89	0	-89
Futures Fixed Interest – Overseas	0	0	-63	0	0	63	20	0	20
Forward FX contracts	-199	1,380	-2,084	0	0	704	-286	0	-485
	-199	**1,380**	**-2,385**	**0**	**0**	**1,005**	**-355**	**0**	**-554**
Cash Deposits and Other Investments									
Cash & Short Term Deposits – UK	57,107	5,866	-42,654	0	0	0	0	0	20,319
Cash & Short Term Deposits – Overseas	2,964	421	-1,431	0	0	-357	0	0	1,597
Variation Margin – UK	0	330	0	0	0	0	0	0	330
Variation Margin - Overseas	0	78	0	0	0	0	0	0	78
Mark-to- Markets	0	282	0	0	0	-282	0	0	0
Derivatives Commission	0	1	0	0	0	-1	0	0	0
	60,071	**6,978**	**-44,085**	**0**	**0**	**-640**	**0**	**0**	**22,324**
Other Investment Balances									
Pending Spot FX contracts	26	591	-600	0	0	9	-28	0	-2
Pending Trade Purchases	-164,527	34,851	-52,195	0	0	0	-45	0	-181,916
Pending Trade Sales	143,566	144,511	-106,892	0	0	0	205	0	181,390
	-20,935	**179,953**	**-159,687**	**0**	**0**	**9**	**132**	**0**	**-528**
Grand Total	**1,191,837**	**945,324**	**-905,277**	**-2,005**	**-662**	**38,528**	**32,316**	**0**	**1,300,061**

12. Debtors and Creditors

The 2010-11 debtors balance reflects accrued contributions and transfers in as at 31st March 2011.

The 2010-11 creditors balance reflects accrued transfers out and investment manager fees as at 31st March 2011.

Contributions due from employers as at 31st March 2011 has decreased over 31st March 2010, due to the reduction in early retirement costs discussed in note 3.

13. Employer-related investments and related party transactions

There are no employer-related investments. Northamptonshire County Council [NCC] is responsible for managing the pension fund's finances, and therefore is a related party. NCC made payments of £34.7m to and recovered costs of £1.9m against the pension fund in the 2010-11 financial year. Payments relate to employer contributions into the fund in respect of NCC and receipts relate to administration costs incurred by the NCC on behalf of the Pension Fund.

In 2010-11 NCC paid net interest of £3,090 to the Pension Fund on balances held, compared to £72,980 in 2009-10. The decrease in interest was due to draw downs for the Pension Fund's property manager which maintained a very low balance on the fund account. This was part of an agreed allocation to property over a given period of time.

14. AVC Investments

Additional Voluntary Investments are assets invested separately from the main fund in the form of individual building society accounts and insurance policies, securing additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions. Members participating in this arrangement each receive an annual statement, confirming the amounts held to their account and the movements in the year.

The movement during the year March 2010 to March 2011 reflects Investment performance, withdrawals and additional contributions.

The aggregate amounts of AVCs are as follows:

	Value at 31/03/10	**Purchases**	**Sales**	**Change in Market Value**	**Value at 31/03/11**
	£000	**£000**	**£000**	**£000**	**£000**
Prudential Assurance	2,056	404	(326)	41	2,289
Standard Life *	566	21	(78)	71	580
Total	**2,622**	**425**	**(404)**	**112**	**2,869**

- The Standard Life valuation is as at the 5th February 2011.

Top Ten Holdings as at 31 March 2011

Value of the Fund’s Top Ten Holdings	**£000**	**%**
UBS GLOBAL ASSET M WORLD EQUITY TRACKER A NAV	161,305,491.70	12.4%
ABERDEEN GBL V FXD INC ALPHA 20Y Z2 ACC	47,680,812.36	3.7%
ABERDEEN INTER FD GLOBAL II GL STR CDT Z2 GBP	46,024,437.57	3.5%
WELLINGTON STERLING CORE BOND PLUS PORTFOLIO GT	41,880,388.56	3.2%
JUBILEE ABSOLUTE CLASS B	32,072,924.86	2.5%
UBS GBL ASSET LIFE 350 TRACKER FUND A NAV	25,664,891.89	2.0%
UBS GBL ASSET MGT GBL EMG MARKETS EQTY JACC	24,933,824.85	1.9%
UBS GBL ASSET MGT CORP BD UK PLUS J GROSS ACC	21,789,397.57	1.7%
UBS GBL ASSET MGT INFL LKD BD UK PLUS GRJ	21,704,017.50	1.7%
MAJEDIE ASSET MGT SPECIAL SITS INV B ACCNAV	15,258,673.87	1.2%

Glossary

Accrual An accrual is a sum included in our accounts to cover income or spending which belongs to the period covered by our accounts, but which was unpaid at the accounting date.

Accrued liabilities This is a sum entered in our accounts for a liability relating to and charged for in the current accounting period but unpaid at the accounting date.

Actuarial valuation An actuary undertakes valuations by checking what a pension scheme's assets are worth compared to its liabilities. The actuary then works out how much needs to be paid into the scheme by the employer and the members to make sure that there will be enough money to pay the pensions when they are due.

Actuary An actuary is an expert on pension scheme assets and liabilities.

Agency services These are services we provide for other organisations, or services other organisations provide for us.

Amortisation Spreading the value of an asset or liability over its useful life.

Area Based Grant A non-ring fenced general grant with full local control over how the money is spent.

Available-for-sale Financial Instruments Reserve This reserve holds gains on revaluation of investments not yet realised through sales.

Balance sheet A balance sheet is a summary of an organisation's financial position. It lists the values, in the books of account on a particular date, of all the organisation's assets and liabilities.

Callable Deposit A deposit placed in the money market which is available at call, i.e. with little advance notice.

Capital Adjustment Account This account accumulates the write-down of the historical cost of fixed assets as they are consumed by depreciation and impairment, or written off on disposal. It also accumulates the resources that have been set aside to finance capital expenditure.

Capital receipts These are the proceeds from selling fixed assets such as land or vehicles.

Capital receipts unapplied These are proceeds from selling fixed assets which we can use for capital spending or to repay loans, but which we cannot use for revenue (day-to-day) spending.

Carry forward Amounts that are to be carried forward into the new financial year.

Cash equivalents Assets that are readily convertible into cash.

Corporate and Democratic Core The costs associated with the Corporate management and democratic processes of the Council.

Cost recovery basis If we charge other organisations on this basis for services we have provided, we only charge them what the service has cost us. We do not put anything extra on to give us a profit.

Creditor This is someone we owe money to.

Current assets These are short-term assets, which constantly change in value such as stocks, **debtors** and bank balances.

Current liabilities These are short-term liabilities which are due to be paid in less than one year such as bank overdrafts, PAYE and money owed to suppliers.

Debtor This is someone who owes us money.

Delegated (budgets) Budgets for which schools have complete autonomy in spending decisions.

Depreciation Spreading the cost of wear and tear of an asset over its useful life.

Devolved (budgets) Budgets transferred to schools that have total responsibility for their spending within defined limits / scope / range.

Earmarked reserve An earmarked reserve is money set aside for a specific purpose.

Equities Equities are ordinary shares in companies.

Financial Instruments Financial instruments are contracts which give rise to a financial asset of one entity and a financial liability or equity instrument of another.

Financial Instruments Adjustment Account This account acts as a balancing mechanism for differences in statutory requirements and proper accounting practices for borrowings and investments.

Finance lease When we lease goods using a finance lease we have most of the rights of ownership and take any profits and suffer any losses of ownership.

Fixed asset A fixed asset is an asset which is intended to be in use for several years such as a building or a vehicle.

General reserves These are amounts set aside for use in future years, not earmarked for any specific purpose.

GMPs Guaranteed Minimum Pensions.

International Financial Reporting Standards (IFRS) Accounting Standards, Interpretations and the Framework adopted by the International Accounting Standards Board (IASB).

Impairment A reduction in the value of an asset from its previous value in the accounts.

Infrastructure The infrastructure is made up of fixed assets such as roads and bridges.

Intangible Assets are defined as identifiable non-monetary assets that cannot be seen, touched or physically measured, which are created through time and/or effort and that are identifiable as a separate asset.

Inventories This is a term used for goods bought but which have not yet been used.

Investment Property This is a separate class of property (land or a building, or part of a building, or both) that is held solely to earn rentals or for capital appreciation, or both.

LASAAC Local Authority Scotland Accounts Advisory Committee.

LOBO Lender Option Borrower Option (Loans at market rates).

Members A councillor, a member of the Council.

Minimum Revenue Provision This is the amount we have to set aside out of our revenue to repay loans.

Net book value The value of an asset after depreciation.

Net operating expenditure The net costs of services less net surplus on statutory direct-service organisations (organisations that have to follow special rules to provide our services), interest and investment income and transfers to and from the asset management revenue account.

Non-operational assets These are assets we hold but do not use to provide services. Examples are investments, and assets which are not yet in use.

Non-distributable costs Costs that cannot be specifically applied to a service or services and so are held centrally.

Notional fund This is where amounts that are transferred into a fund are done so for illustration only and do not actually involve incurring expenditure.

Officers Employees of the Council.

Operating lease When we lease goods using this type of lease, ownership of the goods remains with the lessor (the company leasing the goods to us) and the lessor takes the profits and suffers the risks of ownership.

Operational asset These are assets we use to run our services such as buildings and vehicles.

Payment in advance A charge taken into account when preparing the financial statements, which are for benefits to be received in a period after the accounting date.

Precept This is an amount we receive from district and borough councils in Northamptonshire (for Council Tax collected on our behalf) so that we can cover our expenses less our income. We also pay precepts to authorities such as the Environment Agency.

Private Finance Initiative A means of securing new assets and associated services, such as a new school or care home, from the private sector.

Property, Plant and Equipment Also known as a non-current asset or as Fixed Assets is a term used in accounting for assets and property which cannot easily be converted into cash.

Provision Money set aside in a set of accounts for liabilities, which are known to exist, but which cannot be measured accurately at the date of the accounts.

Public Private Partnership A government service or private business venture funded and operated through a partnership of government and one or more private sector companies.

Public Works Loan Board A government body set up specifically to lend money to local authorities.

Related party/parties This is a person or an organisation which has influence over another person or organisation.

Reserves These are amounts set aside in one year's accounts, which can be spent in later years. Some types of reserve can only be spent if certain conditions are met.

Residual Pension Liabilities The outstanding cost of pension liabilities for employees that have left the Council.

Revaluation Reserve This reserve records the accumulated gains on the fixed assets held by the authority arising from increases in value.

Revenue Ongoing spending or income relating to the day to day activities of the organisation.

Self-insurance We set aside money each year to provide a fund to pay for loss and damage.

Service revenue account These are the services' individual revenue accounts.

Snowball A deposit placed in the money market which is available at call, i.e. with little advance notice.

SORP Statement of Recommended Practice.

Straight line basis The reduction in the value of assets by an equal amount each year applied over the assumed life of the asset.

Surplus The remainder after taking away all expenses from income.

Transfer value When a pension scheme member moves their pension to another scheme, the transfer value is the amount of money transferred to the new scheme.

The Code The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) defines proper accounting practices for local authorities.

Unitising Applying to the individual units (relating to members of the pension fund).

Unrealised profit This is the anticipated profit that would be generated from selling the asset.